



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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2003, or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-15827

VISTEON CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware  
(State of incorporation)

17000 Rotunda, Dearborn, Michigan  
(Address of principal executive offices)

38-3519512  
(I.R.S. employer  
identification no.)  
48120  
(Zip code)

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

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

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

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

Yes  No

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).

Yes  No

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates of the registrant on June 30, 2003 (the last business day of the most recently completed second fiscal quarter) was approximately \$853 million.

As of January 30, 2004, the registrant had outstanding 130,469,809 shares of common stock.

Document Incorporated by Reference\*

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

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

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**PART I**

**ITEM 1. BUSINESS**

**Overview**

Visteon Corporation is a leading global supplier of automotive systems, modules and components to global vehicle manufacturers and the automotive aftermarket. Headquartered in Dearborn, Michigan, we have global capabilities, with regional headquarters in Kerpen, Germany; Shanghai, China; and São Paulo, Brazil. We have a workforce of approximately 72,000 and a network of manufacturing sites, technical centers, sales offices and joint ventures located in every major region of the world.

Visteon operates in two business segments: Automotive Operations and Glass Operations.

*Automotive Operations:* Visteon is a leading global supplier of automotive systems, modules and components in the following product areas: climate control, interior, exterior, powertrain, chassis and electronics. Our products are featured on vehicles built by many leading automotive manufacturers, including Ford Motor Company, General Motors, Toyota, DaimlerChrysler, Volkswagen, Honda, Renault, Nissan, Hyundai, Peugeot, Mazda and BMW. The Automotive Operations segment accounted for 97% of our 2003 total sales.

*Glass Operations:* Our Glass Operations segment designs, produces and distributes automotive glass products for Ford and aftermarket customers, and float glass for commercial architectural and automotive applications.

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

**Financial Information About Business Segments**

Business segment financial information can be found on pages 86-88 of this Annual Report on Form 10-K (Note 17, "Segment Information," of our consolidated financial statements).

**Automotive Parts Industry**

The automotive parts industry provides systems, modules and components to vehicle manufacturers for the manufacture of new vehicles, as well as to the aftermarket for use as replacement and enhancement parts. Historically, large vehicle manufacturers operated internal divisions to provide a wide range of component parts for their vehicles. More recently, vehicle manufacturers have moved toward a competitive sourcing process for automotive parts, including increased purchases from independent suppliers, as they seek lower-priced and/or higher-technology products. Demand for aftermarket products tends to increase when vehicle owners retain their vehicles longer, as these vehicles generally have a greater need for repairs.

*Industry Trends.* The following key trends have been affecting the automotive parts industry over the past several years:

- *Demand for Safety-related and Environmentally-friendly Products.* Consumers are increasingly interested in products and technologies that make them feel safer and more secure. Vehicle manufacturers and many governmental regulators are requiring more safety-related and environmentally-friendly products. This demand, coupled with advances in technology, have led to a number of new product opportunities for Visteon's strong innovation capabilities, such as advanced front lighting systems, driver-information technologies, emissions controls, improved fuel economy and recyclable materials. In addition, Visteon can support the technology needs of advanced systems, such as environmentally-focused power systems, which could revolutionize the automotive industry.

**ITEM 1. BUSINESS — (Continued)**

- *Increasing Electronics Integration and Technological Content.* Electronics integration, which typically involves replacing bulky mechanical components with electronic ones and/or adding new electrical functions to the vehicle, allows vehicle manufacturers improved control over vehicle weight, costs and functionality. Integrated electronic solutions help auto manufacturers improve fuel economy through weight reduction and reduce emissions through improved air and engine control systems. In addition, Visteon is combining its leadership position in automotive supply with leaders in non-automotive electronics to offer vehicle manufacturers integrated technologies that meet key consumer and regulatory needs.
- *Globalization of Suppliers.* To serve multiple markets more efficiently, vehicle manufacturers are assembling vehicle platforms globally. With this globalization, vehicle manufacturers are increasingly interested in global suppliers that can better serve multiple markets, address local consumer preferences, control design costs and minimize import tariffs in local markets. Visteon's presence in more than 200 facilities, in 25 countries, on six continents positions it to meet this need.
- *Ongoing Industry Consolidation.* The worldwide automotive parts industry is consolidating as suppliers seek to achieve operating synergies through business combinations. Suppliers are shifting production to locations with more flexible work rules and practices, acquiring complementary technologies, building stronger customer relationships, and following their customers as they expand globally. Visteon's ability to provide vehicle manufacturers with single-point sourcing of integrated systems and modules on a global basis has improved its ability to respond to this consolidation.
- *Design of Several Model Derivatives Off of a Single Vehicle Platform.* Vehicle manufacturers are designing and producing several vehicle models off of a single vehicle platform. With this method, vehicle manufacturers will vary the design of some components to create the different vehicle models and standardize other components across the platform, helping to reduce the overall cost of design and manufacture of each model. Suppliers such as Visteon, with its broad product line of innovative new systems, are well positioned to assist vehicle manufacturers in differentiating their vehicle models.
- *Increased Competitive Intensity and Market Pressures on Vehicle Manufacturers.* Because vehicle manufacturers are under increasing pressure to adjust to changing consumer preferences and to incorporate technological advances, they are shortening product development times. These shorter development times allow vehicle manufacturers to effectively introduce vehicles and features that match prevailing consumer preferences. To simplify the vehicle design and assembly processes and reduce their costs, vehicle manufacturers are experimenting with opportunities for their suppliers to provide fully engineered, pre-assembled systems rather than individual components. By offering sophisticated systems and modules rather than individual components, automotive suppliers such as Visteon are well positioned to capture value from the design, engineering, research and development, and assembly functions vehicle manufacturers are increasingly looking to outsource.

**ITEM 1. BUSINESS — (Continued)**

**Products**

When working with a customer, our goal is to understand the design intent and brand image for each vehicle and leverage our extensive experience and innovative technology to deliver products that enable the customer to differentiate the vehicle. We support our components, systems and modules with a full-range of styling, design, testing and manufacturing capabilities, including just-in-time and in-sequence delivery.

The following discussion describes the major product groups within each segment. Financial information relating to sales attributable to each of these product groups can be found in Note 17, “Segment Information,” of our consolidated financial statements.

**Automotive Operations**

**Chassis Products & Systems.** Visteon designs and manufactures a wide array of chassis-related products, from driveline systems for popular all-wheel drive vehicles to steering and suspension systems.

| Chassis Product Lines               | Description  |
|-------------------------------------|--|
| Driveline Systems                   | Visteon produces all of the major components for an all-wheel drive system. Major products include front and rear independent suspension and solid-beam axles, propshafts, halfshafts, and power transfer units. Visteon’s slip-in-tube propshaft is an example of our exclusive technology that reduces weight and improves noise, vibration and harshness (“NVH”) and vehicle crash performance. |
| Steering Systems/Steering Columns   | Visteon designs and produces hydraulic power assisted steering systems, rack and pinion steering gears, recirculating ball nut steering gears, and power steering pumps. We have also developed electric power assisted steering (“EPAS”) systems, which use electric motors rather than conventional hydraulics.  |
| Suspension Systems/Misc. Components | Visteon’s suspension products include corner and suspension modules, brake hubs and rotors, knuckles and spindles, in a variety of materials, and stabilizer bars.   |
| Catalytic Converters                | Visteon designs and manufactures catalytic converters and other exhaust system products.   |

**Interior Products & Systems.** Visteon is one of the leading global suppliers of cockpit systems, instrument panels, door modules and interior trim and console modules.

| Interior Product Lines           | Description  |
|----------------------------------|--|
| Cockpit Systems                  | Visteon’s cockpits incorporate the latest in driver information, entertainment, vehicle controls and climate control features and package a variety of structural, electronic and safety components. We provide our customers with a complete array of services including advanced engineering and computer aided design, styling concepts and modeling and in-sequence delivery of manufactured parts. Visteon’s cockpit systems incorporate our instrument panels which consist of a substrate and the optional assembly of structure, ducts, registers, passenger airbag system (integrated or conventional), finished panels and the glove box assembly. |
| Door/Trim/Modules & Seat Systems | Visteon provides a wide range of door trim panels and modules as well as a variety of interior trim products.  |
| Console                          | Visteon’s console modules expand the functionality of today’s console offerings, delivering flexible and versatile storage options to the consumer. The modules are interchangeable units and offer consumers a wide range of storage options that can be tailored to their individual needs.  |

**ITEM 1. BUSINESS — (Continued)**

**Climate Control Products & Systems.** Visteon is one of the leading global suppliers of components, modules and systems that provide automotive heating, ventilation and air conditioning and powertrain cooling.

| Climate Control Product Lines | Description  |
|-------------------------------|--|
| HVAC Systems                  | Visteon designs and manufactures fully integrated heating, air conditioning and powertrain cooling systems consisting of heat exchangers, air handling modules, heater and A/ C controls, compressors, and front end modules. Heat exchangers provide the mechanism of heat transfer for automotive air conditioning and powertrain cooling systems. Included in the offering are radiators, condensers, evaporator and heater cores, integrated heat exchangers, cooling modules and intercoolers. Visteon’s air handling modules heat and cool air and distribute it throughout the passenger cabin. Visteon designs and manufactures mechanical and electronic A/ C and heater controls. These controls allow passengers to select various air temperature, speed and distribution combinations for optimal comfort. Compressors pump refrigerant through the air conditioning systems. Compressor technologies include fixed and variable displacement swashplate designs, as well as fixed and variable capacity scroll designs. The front end module integrates structural, exterior cooling, electrical and lighting components and subsystems in order to achieve improvements in packaging and vehicle thermal and front-end structure performance. |
| Powertrain Cooling Systems    | Cooling functionality and thermal management for the vehicle powertrain system (engine and transmission) is provided by powertrain cooling.  |

**Powertrain Products & Systems.** Visteon offers innovative designs in engine management, fuel storage and delivery and electrical conversion systems, which are designed to provide the automotive customer with solutions that enhance powertrain performance, fuel economy and emissions control.

| Powertrain Product Lines  | Description  |
|---|--|
| Powertrain Electronics, Ignition, Engine Air/Fuel Systems, Air Induction Systems and other Powertrain | Visteon has a complete line of products for vehicle engine and powertrain management, including the powertrain control module. Visteon’s diverse line of sophisticated powertrain products are designed to deliver improved fuel economy and reduced emissions while enhancing performance. These products include air charging assemblies and air induction systems, torque enhancement systems, intake manifolds, long life filtration systems, fuel injectors and rails, mechanical and electronic throttle bodies, and ignition coils. |
| Starters, Alternators and Wiper Washer  | Visteon offers a wide range of alternators and starters to meet differing needs of the automotive customer. In addition, Visteon is working to develop technologies that meet future higher-voltage vehicle architectures (including integrated starter-generators).   |
| Fuel Tanks, Fuel Delivery, and Carbon Canisters   | Visteon manufactures systems and components to support low emissions vehicles. The principal products in these systems are plastic blow-molded and thermoformed fuel tanks, fuel pumps and delivery modules, and fuel vapor storage systems.   |

**ITEM 1. BUSINESS — (Continued)**

**Electronic Products & Systems.** Visteon is one of the leading global suppliers of high-tech in-vehicle entertainment, driver information, wireless communication, safety and security electronics.

| Electronic Product Lines                        | Description   |
|---|---|
| Audio Systems                                   | Visteon produces a wide range of audio systems and components, including integrated cassette/ CD/ MP3 radios and amplifiers. Examples of Visteon’s latest electronics products include digital and satellite radios, HD Radio broadcast tuners, audiophile systems and advanced bluetooth interface modules integrated with Visteon Voice capability. Visteon’s MACH® digital signal processing (“DSP”) is an integrated technology providing improved performance for entertainment systems and can support branded audio systems such as Boston Acoustics and Sony. |
| Driver Information Systems                      | Visteon designs and builds a wide range of displays, from analog electronic to high impact clusters and light emitting diode (“LED”) displays.  |
| Integrated Electronics and Infotainment Systems | Visteon has developed numerous products to assist driving and enhance safety. These include Visteon Voice Technology™, adaptive cruise control, anti-theft systems, remote keyless entry systems and tire pressure monitoring. Visteon is working with United States Department of Transportation (“USDOT”) to develop lane departure warning systems. Visteon delivers in-vehicle entertainment that provides consumers with DVD and wireless headphone systems capable of interacting with other plug and play multimedia.  |

**Exterior Products & Systems.** Visteon can provide exterior packages that deliver high quality and functionality to the automotive customer.

| Exterior Product Lines | Description   |
|------------------------|---|
| Lighting               | Visteon designs and builds a wide variety of headlamps, rear lamps, high-mount stop lamps and foglamps using leading edge technologies such as LED, HID, AFS and projector headlamps. |
| Bumpers                | Visteon offers bumper systems, fascias and assemblies and valance panels.   |

**Glass Operations**

Our Glass Operations segment designs, produces, and distributes automotive glass products for Ford and aftermarket customers, and float glass for commercial architectural and automotive applications. Glass Operations accounted for about \$563 million, or 3%, of our 2003 total sales. The following table provides a description of the Glass Operations segment product lines:

| Glass Product Lines | Description  |
|---------------------|--|
| Glass               | Products include windshields, backlites, moonroofs and side windows. Capabilities include glass design, development and manufacturing. Aftermarket replacement glass products are distributed under the Carlite® brand name. Visteon also produces float glass for commercial architectural and automotive markets. Architectural glass is distributed under the Versalux® brand name. |

**Customers**

Visteon sells its products primarily to global vehicle manufacturers. In addition, we sell products for use as aftermarket and service parts to automotive original equipment manufacturers and others for resale through their own independent distribution networks.

**ITEM 1. BUSINESS — (Continued)**

*Vehicle Manufacturers*

Visteon sells to all of the world's largest vehicle manufacturers including Ford, General Motors, Toyota, DaimlerChrysler, Honda, Volkswagen, Renault, Nissan, Hyundai, Peugeot, Mazda and BMW. Ford is our largest customer, and our sales to Ford accounted for about 76% of our 2003 total sales. Our top five customers other than Ford accounted for approximately 10% of our total 2003 sales, which includes certain sales to Mazda Motor Corporation, of which Ford owns a 33.4% equity interest.

Price reductions are typically negotiated on an annual basis between suppliers and vehicle manufacturers. Such reductions are intended to take into account expected annual reductions in the overall cost to the supplier of providing products and services to the customer, through such factors as overall increases in manufacturing productivity, material cost reductions, and design-related cost improvements. We have agreed to provide specific average productivity price reductions to our largest customer, Ford, for North American sales through 2007. Visteon has an aggressive cost reduction program that focuses on reducing our total costs, which are intended to offset these customer price reductions, but there can be no assurance that such cost reduction efforts will be sufficient to do so.

*Aftermarket*

We sell products to the worldwide aftermarket as replacement parts or as customized products, such as body appearance packages and in-car entertainment systems, for current production and older vehicles. In 2003, our aftermarket sales were \$992 million, representing 6% of our total sales. We currently sell 58% of these products to the independent aftermarket and 42% to Ford's Automotive Consumer Service Group, the principal aftermarket sales organization of Ford. In 2003, aftermarket sales of our glass products were \$155 million, representing 1% of our total sales and 16% of our total aftermarket sales.

**Arrangements with Ford and its Affiliates**

In connection with Visteon's separation from Ford in 2000, Visteon and Ford entered into a series of agreements outlining the terms of the separation and the relationship between Visteon and Ford on an ongoing basis. In December 2003, Visteon and Ford entered into a series of agreements that modify or replace several of the agreements referred to above. The following summary of certain of these agreements is qualified in all respects by the actual terms of the respective agreements.

**ITEM 1. BUSINESS — (Continued)**

*Master Transfer Agreement.* The master transfer agreement, effective as of April 1, 2000, and other related agreements, provided for Ford to transfer to Visteon and/or its subsidiaries, all assets used exclusively by Visteon, including but not limited to real property interests, personal property and ownership interests in subsidiaries and joint ventures. In addition, Visteon and Ford agreed to a division of liabilities relating to the assets contributed and the Visteon business, including liabilities related to product liability, warranty, recall, environmental, intellectual property claims and other general litigation claims. Specifically, Visteon and Ford agreed on a division of responsibility for product liability, warranty and recall matters as follows: (a) Ford will retain liability for all product liability, warranty or recall claims that involve parts made or sold by Visteon for 1996 or earlier model year Ford vehicles; (b) Visteon is liable for all product liability, warranty or recall claims that involve parts made or sold by Visteon for 1997 or later model year Ford vehicles in accordance with Ford's global standard purchase order terms as applied to other Tier 1 suppliers; and (c) Visteon has assumed all responsibility for product liability, warranty or recall claims relating to parts made or sold by Visteon to any non-Ford customers. Also, Visteon and Ford agreed on a division of responsibility for liabilities associated with claims that Visteon's products infringe or otherwise violate the intellectual property interests of others as follows: (a) Ford will retain liability for such claims related to Visteon's products sold or supplied to Ford or its subsidiaries on or prior to July 31, 1999; (b) Visteon has assumed liability for such claims related to Visteon's products sold or supplied to Ford or its subsidiaries after July 31, 1999 to the same extent as other Tier 1 suppliers would be liable if they had supplied such parts, components or systems to Ford; and (c) Visteon has assumed liability for such claims related to Visteon's products sold to third parties at any time. With respect to environmental matters, please see "Environmental Matters," below.

*Master Separation Agreement.* Ford has provided a number of transitional services to Visteon pursuant to the master separation agreement and related arrangements, including information technology, human resources, accounting, customs, product development technology and real estate services. Visteon agreed to pay Ford amounts which reflected its fully accounted cost for these services, including a reasonable allocation of internal overhead costs, as well as any direct costs incurred from outside suppliers. Except for certain information technology services, Ford's obligation to provide these services pursuant to the master separation agreement expired in June 2002. Visteon and Ford have subsequently entered into new arrangements covering some of these services. Please see Note 11, "Arrangements with Ford and its Affiliates," of our consolidated financial statements, for information regarding the amounts that have been assessed for services rendered by Ford under the master separation agreement. During 2003, Visteon began the process of creating a separate IT environment, including the separation of certain of Ford's IT systems that had been utilized by Visteon. During December 2003, Visteon and Ford agreed on matters designed to facilitate the separation process, including Ford's agreement to provide certain limited information technology support services and Ford's agreement to share a portion of the cost associated with the separation process. The parties have agreed also to the mutual release of claims related to IT activities since their separation.

**ITEM 1. BUSINESS — (Continued)**

*Hourly Employee Assignment Agreement.* The hourly employee assignment agreement, as amended and restated as of December 19, 2003, sets forth a number of rights and obligations with respect to the United States hourly employees of Ford who are covered by Ford-UAW master collective bargaining agreements and are assigned to work for Visteon. Under this agreement, Visteon exercises day-to-day supervision over the covered individuals and reimburses Ford for the wage, benefit and other costs incurred by Ford related to these individuals. This includes amounts for profit sharing based on Ford's profits, which is capped at \$2,040 per worker. This cap excludes amounts that may be payable on account of employer payroll taxes or the portion of any profit sharing payment that may be attributable to Visteon's profits. About \$4 million of profit sharing expense was recognized in each of 2003 and 2002, and no profit sharing expense was recognized in 2001. For further information, see "Workforce" set forth below.

The hourly employee assignment agreement also provides that at December 31, 2003 Visteon's obligation to reimburse Ford for the Other Post Employment Benefits ("OPEB") SFAS 106 liability (the "OPEB Liability") related to pre-separation service of Ford hourly employees assigned to work at Visteon has been significantly reduced, and that the time period for funding Visteon's post-separation OPEB Liability to Ford for hourly employees assigned to work at Visteon be extended from 2020 to December 31, 2049. Visteon has agreed to transfer assets and obligations relating to the pensions and other benefits for those hourly employees of Visteon who become hourly employees of Ford as of December 22, 2003. See "Workforce" set forth below. Finally, the agreement provides for an agreed upon method for the transfer of benefit obligations for Visteon-assigned Ford-UAW hourly employees who return to Ford after service at Visteon. For further information, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Pension and Postretirement Benefits" set forth below.

*Purchase and Supply Agreement.* During the fourth quarter 2003, Visteon and Ford terminated the purchase and supply agreement and related pricing letter agreement that were entered into at or around the time of the separation and entered into a new purchase and supply agreement, dated as of December 19, 2003. This agreement governs general commercial matters relating to the supply of components in North America by Visteon to Ford, primarily relating to sourcing and pricing obligations.

Pursuant to this purchase and supply agreement, Visteon and Ford have agreed to continue to honor the terms and conditions of all existing agreements regarding the purchase and sale of currently sourced components. In addition, Ford has agreed to include Visteon on its list of suppliers receiving requests for quotations, design competitions and advanced technology development activities with respect to the sourcing of new business unless "good cause" or "other good business reasons" (each as defined in the agreement) exists to exclude Visteon. If Visteon is excluded from the list of suppliers receiving a request for quote for certain replacement new business because of other good business reasons, then Ford will compensate Visteon on account of such exclusion based on lost profits due to the discontinued sourcing of such components, as calculated in accordance with terms of the agreement. Where Visteon has been asked to quote on new business, consistent with commitments made to the UAW and Visteon to "look to Visteon first," such new business will be awarded to Visteon if Visteon's quote is "competitive" (as defined in the agreement). Also, as a condition to sourcing Visteon with respect to most new components, Visteon must develop a competitive gap closure plan that identifies opportunities to reduce prices on the same or similar components currently sourced to Visteon to competitive levels, which plans are not intended to reduce Visteon's margins. Otherwise, Ford will treat Visteon in the same manner as it treats its other Tier 1 suppliers with respect to Ford's general sourcing policies and practices relating to new business, including new purchasing and sourcing initiatives.

**ITEM 1. BUSINESS — (Continued)**

Ford may terminate or not renew its purchase obligations relating to a given component (each, a “Purchase Order”) in accordance with the terms of such Purchase Order, on account of “excusable delay” (as defined in the agreement), program cancellation, for good cause or for other good business reasons. If a Purchase Order is terminated or not renewed for good cause, then there will be no adjustment to the productivity price down percentages. If during the term of any Purchase Order, Ford elects to terminate or not renew a Purchase Order for other good business reasons, then Ford will compensate Visteon based on lost profits due to the discontinued sourcing of such components, as calculated in accordance with terms of the agreement. If during the term of any Purchase Order, Ford elects to terminate or not renew a Purchase Order because of program cancellation or excusable delay, then the terms of the applicable Purchase Order will govern the right to notification, remediation and compensation, if any.

Furthermore, Visteon has agreed to pay Ford \$150 million in lieu of additional productivity price reductions on components supplied by Visteon in North America during 2003, which amount is to be paid in three equal installments commencing no later than December 31, 2003 and ending on or before March 1, 2004. Visteon also will provide specified productivity price reductions for all components supplied to Ford beginning January 1, 2004 and on each January 1 thereafter through 2007. Visteon and Ford have also agreed to negotiate in good faith price changes on supplied components resulting from design changes to such components.

During the period from January 1, 2004 through December 31, 2007, Ford has agreed to pay to Visteon an amount based on the cost differential between wages paid to Ford-UAW workers, at efficient manning levels, and workers at Tier 1 suppliers, with respect to new business sourced to Visteon at plants covered by the Ford-UAW master collective bargaining agreement. Through December 31, 2007, Ford agrees to reimburse Visteon for wages relating to Ford-UAW workers assigned to Visteon who are placed in Guaranteed Employment Number (GEN) program, as set forth in the Ford-UAW master collective bargaining agreement, as a result of Ford’s decision to exclude Visteon from the list of suppliers receiving a request for quote on new business or terminate or not renew a Purchase Order because of other good business reasons.

Finally, Ford has agreed to reimburse Visteon for up to one-half of any capital investment spending on production facilities and equipment made by Visteon during the period from January 1, 2004 through December 31, 2007 to the extent related to the production of certain uncompetitive commodities for Ford. Because this reimbursement is calculated on the basis that the capital investment will be amortized over a period of seven years utilizing the production volumes of the applicable components, Visteon may not be reimbursed the full amount in the event that the sourcing program were cancelled or modified by Ford during such period. Ford has also agreed to accelerate the payment terms for certain payables to Visteon through 2006.

*2003 Relationship Agreement.* Visteon and Ford also entered into a 2003 relationship agreement, dated as of December 19, 2003, which provides, among other things, for the establishment of a joint governance council. The governance council is intended to provide a forum in which senior members of the Ford and Visteon leadership teams can monitor the Ford-Visteon relationship on a global basis. Visteon and Ford also agreed to resolve certain outstanding commercial matters between the parties.

**ITEM 1. BUSINESS — (Continued)**

**Competition**

We conduct our business in a complex and highly competitive industry. The global automotive parts industry principally involves the supply of systems, modules and components to vehicle manufacturers for the manufacture of new vehicles. Additionally, suppliers provide components to other suppliers for use in their product offerings and to the aftermarket for use as replacement or enhancement parts for older vehicles. As the supplier industry continues to consolidate, the overall number of competitors has decreased and the automotive parts industry remains extremely competitive. Vehicle manufacturers rigorously evaluate suppliers on the basis of product quality, price competitiveness, technical expertise and development capability, new product innovation, reliability and timeliness of delivery, product design capability, leanness of facilities, operational flexibility, customer service and overall management. Many of our competitors have lower cost structures, particularly with respect to wages and benefits, than our company.

Our overall product portfolio is extremely broad by industry standards. Very few other Tier 1 suppliers compete across the full range of our product areas. Visteon does have significant competition in each of its market segments; the most significant competitors by segment are listed below.

*Automotive Operations.* Our principal competitors in the Automotive Operations segment include the following: American Axle & Manufacturing Holdings, Inc.; Behr GmbH & Co. KG; Robert Bosch GmbH; Dana Corporation; Delphi Corporation; Denso Corporation; Faurecia Group; Johnson Controls, Inc.; Lear Corporation; Magna International Inc.; Siemens VDO Automotive AG; TRW Automotive Corp.; and Valéo S.A.

*Glass Operations.* Our principal competitors in the Glass Operations segment include the following: Asahi Glass Co., Ltd.; AFG Industries, Inc.; Guardian Industries Corp.; Pilkington plc; and PPG Industries, Inc.

**International**

Financial information about sales and net property by major geographic area can be found on page 88 of this Annual Report on Form 10-K (Note 17, "Segment Information," of our consolidated financial statements).

**Seasonality**

Our business is moderately seasonal because our largest North American customers typically halt operations for about two weeks in July for model year changeovers and about one week in December during the winter holidays. In addition, third quarter automotive production traditionally is lower as new models enter production. Accordingly, our third and fourth quarter results may reflect these trends.

**Product Research and Development**

Visteon's research and development efforts are intended to maintain our leadership position in the industry and provide us with a competitive edge as we seek additional business with new and existing customers. Total research and development expenditures were approximately \$903 million in 2003, \$902 million in 2002 and \$1,037 million in 2001. We have realigned resources to focus on our growth businesses and discontinued work on products where revenues and margins were not in line with investments. Visteon also works with technology development partners, including customers, to develop technological capabilities and system enhancements.

**ITEM 1. BUSINESS — (Continued)**

**Intellectual Property**

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

Visteon also views its name and mark as significant to its business as a whole. In addition, the company owns a number of other trade names and marks applicable to certain of its businesses and products that it views as important to such businesses and products.

**Raw Materials**

Raw materials used by Visteon in the manufacture of our products primarily include steel, aluminum, resins, precious metals and urethane chemicals. All of the materials used are generally readily available from numerous sources except precious metals. Precious metals (for catalytic converter production) are purchased from Ford, and Ford assumes the risk of assuring supply and accepts market price risk. We do not anticipate significant interruption in the supply of raw materials that would have a material impact on our business.

**Workforce**

Visteon's workforce as of December 31, 2003 included approximately 72,000 persons, of which approximately 17,100 were salaried employees and 54,900 were hourly workers.

Of the hourly workforce, approximately 19,800 are Ford employees covered under the Ford-UAW master collective bargaining agreement. Pursuant to an hourly employee assignment agreement, as amended and restated, between Visteon and Ford, Ford has indefinitely assigned these Ford-UAW workers to work at Visteon facilities, and Visteon has agreed to reimburse Ford for the wage, benefit and other costs incurred by Ford related to these workers. Further, effective as of December 22, 2003, approximately 600 hourly employees of Visteon who worked in UAW-represented facilities of Visteon at the effective date but were covered by a separate collective bargaining agreement between the UAW and Visteon have been converted to Ford-UAW employees and designated as Visteon-assigned workers under the hourly employee assignment agreement. In addition, as part of the current Ford-UAW master collective bargaining agreement, Ford has agreed to offer transfers to Ford-UAW workers assigned to Visteon facilities to positions at Ford facilities as they become available and to prohibit the transfer of Ford-UAW workers to positions at Visteon facilities. The present Ford-UAW master collective bargaining agreement expires in September 2007. Although we have the right to participate in future negotiations as well as the planning and strategy development concerning the terms of, and issues arising under, the current and future Ford-UAW collective bargaining agreements, Ford reserves the right to handle such matters if a joint course of action cannot be agreed upon.

**ITEM 1. BUSINESS — (Continued)**

Visteon, Ford and the UAW have also entered into a memorandum of understanding, which provides, among other things, that Visteon and the UAW will enter into a new collective bargaining agreement covering employees hired by Visteon at its UAW-represented facilities in the future and that the parties will enter into discussions for the purpose of negotiating a supplement to such new Visteon-UAW collective bargaining agreement that provides for competitive wage and benefit levels for such future hires. We expect to conclude negotiations of this supplement during the first quarter of 2004; however, we cannot anticipate at this time the expected impact that this new arrangement may have on our results of operations or financial condition. Further, in the event the parties are unable to agree to the terms of the supplement, the Visteon-UAW collective bargaining agreement will mirror the Ford-UAW collective bargaining agreement.

In Europe, all Ford employees (both hourly and salaried) working in Visteon facilities at the time of the spin-off became Visteon employees. In the spin-off agreement with the employee representatives, it was agreed that, during their employment and retirement, Visteon would provide these employees with wages, benefits and other terms of employment that closely reflect those provided by Ford to its employees in the respective countries. The majority of our European employees are members of industrial trade unions and confederations within their respective countries. Many of these organizations operate under collective contracts that are not specific to any one employer. Visteon's national agreement with the British trade unions will expire in November 2004. Visteon's collective agreement with the German trade unions expired on December 31, 2003; negotiations for a new agreement are continuing.

We constantly work to establish and maintain positive, cooperative relations with our unions around the world and we believe that our relationships with unionized employees to be satisfactory. There have been no significant work stoppages in the past three years.

**Environmental Matters**

Visteon is subject to the requirements of federal, state, local and foreign environmental and occupational safety and health laws and regulations. These include laws regulating air emissions, water discharge and waste management. Visteon is also subject to environmental laws requiring the investigation and cleanup of environmental contamination at properties it presently owns or operates and at third-party disposal or treatment facilities to which these sites send or arranged to send hazardous waste. Further, in connection with our spin-off from Ford, Visteon and Ford have generally agreed that Visteon would assume all liabilities for existing and future claims relating to sites that were transferred to us and our operation of those sites, including off-site disposal, except as otherwise specifically retained by Ford in the master transfer agreement. At the time of spin-off, Visteon and Ford also agreed on a division of liability for, and responsibility for management and remediation of, environmental claims existing at that time.

We are aware of contamination at some of our properties and have agreed to an allocation of liability with Ford relating to various third-party superfund sites at which Ford has been named as a potentially responsible party. We are in various stages of investigation and cleanup at these sites. At December 31, 2003, Visteon had recorded a reserve of approximately \$13 million for this environmental investigation and cleanup. However, estimating liabilities for environmental investigation and cleanup is complex and dependent upon a number of factors beyond our control and which may change dramatically. Accordingly, although we believe our reserves to be adequate based on current information, we cannot assure you that our eventual environmental investigation and cleanup costs and liabilities will not exceed the amount of our current reserve. During 2003, we did not incur any material capital expenditures relating primarily to environmental compliance.

**ITEM 1. BUSINESS — (Continued)**

**Available Information**

Our current and periodic reports filed with the Securities and Exchange Commission, including amendments to those reports, may be obtained through our internet website at [www.visteon.com](http://www.visteon.com) free of charge as soon as reasonably practicable after we file these reports with the SEC. A copy of our code of business conduct and ethics for directors, officers and employees of the Company and its subsidiaries, entitled “A Pledge of Integrity,” the Corporate Governance Guidelines adopted by Visteon’s Board of Directors and the charters of each committee of the Board of Directors are available on our website at [www.visteon.com](http://www.visteon.com). You may also request a printed copy of the foregoing documents by contacting our Shareholder Relations department in writing at 17000 Rotunda Drive, Dearborn, MI 48120; by phone (877) 367-6092; or via email at [vcstock@visteon.com](mailto:vcstock@visteon.com).

**ITEM 2. PROPERTIES**

Our principal executive offices are currently located in Dearborn, Michigan. We expect to relocate our principal executive offices, as well as several other facilities located in Southeast Michigan, to Van Buren Township, Michigan during 2004. We also maintain regional headquarters in Kerpen, Germany; in Shanghai, China; and in São Paulo, Brazil.

We and our joint ventures maintain 69 technical facilities/sales offices and 135 plants in 25 countries throughout the world, of which approximately 94 facilities are owned in fee simple and 109 are leased. The following table shows the approximate total square footage of our principal owned and leased manufacturing facilities by region as of December 31, 2003:

| Region        | Number of<br>Manufacturing<br>Sites | Total<br>Manufacturing<br>Sites Square<br>Footage |
|---------------|-------------------------------------|---|
|               |                                     | (in millions)                                     |
| North America | 60                                  | 29.7  |
| Europe        | 44                                  | 13.1  |
| South America | 7                                   | 0.8   |
| Asia-Pacific  | 24                                  | 6.4   |
| Total         | 135                                 | 50.0  |

In some locations, we have combined a manufacturing facility, technical center and/or customer service center and sales office at a single multi-purpose site. The following table shows the approximate number of various types of facilities by region and segment as of December 31, 2003:

| Region                      | Manufacturing<br>Sites | Technical<br>Centers | Customer<br>Centers and<br>Sales Offices |
|-----------------------------|------------------------|----------------------|--|
| North America               |                        |                      |  |
| Automotive Operations       | 56                     | 25                   | 4  |
| Glass Operations            | 4                      | 1                    | 2  |
| Europe                      |                        |                      |  |
| Automotive Operations       | 44                     | 9                    | 15                                       |
| Glass Operations            | —                      | —                    | —  |
| South America               |                        |                      |  |
| Automotive Operations       | 7                      | —                    | —  |
| Glass Operations            | —                      | —                    | —  |
| Asia-Pacific                |                        |                      |  |
| Automotive Operations       | 24                     | 8                    | 5  |
| Glass Operations            | —                      | —                    | —  |
| Totals                      |                        |                      |  |
| Total Automotive Operations | 131                    | 42                   | 24                                       |
| Total Glass Operations      | 4                      | 1                    | 2  |
| Total company               | 135                    | 43                   | 26                                       |

We believe that our facilities are suitable and adequate, and have sufficient productive capacity, to meet our present needs. The majority of our facilities are operating at normal levels based on their respective capacities except those facilities that are in the process of being closed or transferred.

**ITEM 3. LEGAL PROCEEDINGS**

We are involved in routine litigation incidental to the conduct of our business. We do not believe that any litigation to which we are currently a party would, if determined adversely to us, have a material adverse effect on our financial condition, results of operations or cash flows, although such an outcome is possible.

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

None.

**ITEM 4A. EXECUTIVE OFFICERS OF VISTEON**

The following table shows information about the executive officers of our company. All ages are as of February 1, 2004:

| <u>Name</u>         | <u>Age</u> | <u>Position</u>  |
|---------------------|------------|--|
| Peter J. Pestillo   | 65         | Chairman of the Board and Chief Executive Officer              |
| Michael F. Johnston | 56         | Director, President and Chief Operating Officer                |
| Daniel R. Coulson   | 60         | Executive Vice President and Chief Financial Officer           |
| James C. Orchard    | 53         | Executive Vice President and President, North America and Asia |
| Anjan Chatterjee    | 52         | Senior Vice President, Strategy and Business Planning          |
| Stacy L. Fox        | 50         | Senior Vice President, General Counsel and Secretary           |
| Robert H. Marcini   | 58         | Senior Vice President, Corporate Relations                     |
| Thomas A. Burke     | 46         | Vice President, North America and Asia Manufacturing           |
| Lorie J. Buckingham | 46         | Vice President and Chief Information Officer                   |
| John F. Kill        | 54         | Vice President of Product Development                          |
| Jonathan K. Maples  | 46         | Vice President of Quality and Materials Management             |
| Heinz Pfannschmidt  | 56         | Vice President and President, Europe and South America         |

Peter J. Pestillo has been Visteon's Chairman of the Board and Chief Executive Officer since the company's formation in January 2000. Before that, Mr. Pestillo had been the Vice Chairman and Chief of Staff of Ford, and previously Ford's Executive Vice President, Corporate Relations. Mr. Pestillo had been, prior to the Visteon spin-off in June 2000, a Ford employee since 1980. Mr. Pestillo is also a director of Rouge Industries, Inc. and Sentry Insurance.

Michael F. Johnston has been Visteon's President and Chief Operating Officer since September 2000 and was elected to the company's Board of Directors in May 2002. Before that, Mr. Johnston had been President, e-business for Johnson Controls, Inc., and previously President-North America and Asia of Johnson Control's Automotive Systems Group, and President of its automotive interior systems and battery operations. Mr. Johnston is also a director of Flowserve Corporation and Whirlpool Corporation.

Daniel R. Coulson has been Executive Vice President and Chief Financial Officer of Visteon since the company's formation in January 2000. Before that, he was Ford's Director of Accounting. Mr. Coulson had been, prior to the Visteon spin-off in June 2000, a Ford employee since 1965.

James C. Orchard has been Executive Vice President and President, North America and Asia of Visteon since August 2001. Before that, Mr. Orchard had been Chief Executive Officer, ZF Group North America and South America, and a member of the ZF Board of Management.

Anjan Chatterjee has been Senior Vice President, Strategy and Business Planning since joining Visteon in August 2003. Prior to that, Mr. Chatterjee was director, North American automotive sector and head of the Detroit office at McKinsey and Company. Mr. Chatterjee has also served as a partner at A.T. Kearney in the automotive, electronics, and technology areas.

**ITEM 4A. EXECUTIVE OFFICERS OF VISTEON — (Continued)**

Stacy L. Fox has been Senior Vice President, General Counsel and Secretary of Visteon since the company's formation in January 2000. Before that, she was Group Vice President and General Counsel of the Automotive Systems Group of Johnson Controls, Inc.

Robert H. Marcin has been Visteon's Senior Vice President, Corporate Relations since January 2003 and, prior to that, he served as the company's Senior Vice President of Human Resources since the company's formation in January 2000. Before that, he was Executive Director — Labor Affairs for Ford and Ford's Director, U.S. Union Affairs. Mr. Marcin had been, prior to the Visteon spin-off in June 2000, an employee of Ford or its subsidiaries since 1973.

Thomas A. Burke has been Vice President, North America and Asia Manufacturing of Visteon since November 2002, and prior to that he was Vice President of Europe and South America Manufacturing Operations. Mr. Burke has also served the company as Director of Engineering for Visteon's Ford Account; and as Director of Climate Control Systems for Europe, South America and India, until 1996. Mr. Burke joined Ford Motor Company in 1983, and he has held a number of engineering, manufacturing and management positions, including appointments in North America and Mexico for Ford's Climate Control division.

Lorie J. Buckingham has been Vice President and Chief Information Officer of Visteon since 2002, and prior to that she served as Director of Global Software Solutions since she joined the company in 2000. Before joining Visteon, Ms. Buckingham was the Chief Information Officer for Zonetrader.com, and from 1993 to 1999 she worked at Union Carbide Corporation where she served as the Director of Enterprise Information Technology Solutions.

John F. Kill has been Vice President of Product Development of Visteon since January 2001. Prior to that he was Operations Director of the Climate Control Division since 1999, and served as the European Operations Director from 1997-1999. Mr. Kill began his career with Ford Motor Company in 1971, and has held various engineering and management positions.

Jonathan K. Maples has been Vice President of Quality and Materials Management since joining Visteon in November 2001. Prior to that, he was Executive Vice President of Business Services for MSX International, a position he held since May 2000. He has also served as Vice President of Operations and Vice President of Supplier Management for DaimlerChrysler Corporation prior thereto.

Heinz Pfannschmidt has been Vice President and President, Europe and South America of Visteon since November 2001. Before that, he was President and Chief Executive Officer of TRW Automotive Electronics Worldwide, and a member of the TRW Executive Committee, since September 1999, and Managing Director of Europe, Inflatable Restraint Systems of TRW Automotive prior thereto.

**PART II****ITEM 5. MARKET FOR VISTEON'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS**

Our common stock is listed on the New York Stock Exchange in the United States under the symbol "VC." As of January 30, 2004, Visteon had 130,469,809 shares of its common stock \$1.00 par value outstanding, which were owned by 120,062 stockholders of record. The table below shows the high and low sales prices for our common stock as reported by the New York Stock Exchange, and the dividends we paid per share of common stock for each quarterly period for the last two years.

|                                     | 2003          |                |               |                |
|-------------------------------------|---------------|----------------|---------------|----------------|
|                                     | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
| Common stock price per share        |               |                |               |                |
| High                                | \$ 7.38       | \$ 7.25        | \$ 7.09       | \$ 10.43       |
| Low                                 | \$ 5.60       | \$ 5.96        | \$ 5.86       | \$ 6.30        |
| Dividends per share of common stock | \$ 0.06       | \$ 0.06        | \$ 0.06       | \$ 0.06        |
|                                     | 2002          |                |               |                |
|                                     | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
| Common stock price per share        |               |                |               |                |
| High                                | \$ 16.55      | \$ 16.25       | \$ 13.58      | \$ 8.95        |
| Low                                 | \$ 12.09      | \$ 13.64       | \$ 9.47       | \$ 6.57        |
| Dividends per share of common stock | \$ 0.06       | \$ 0.06        | \$ 0.06       | \$ 0.06        |

In May 2003, we issued a total of 6,000 restricted shares of common stock to two of our non-employee directors pursuant to the terms of the Visteon Corporation Restricted Stock Plan for Non-Employee Directors. Such issuances were exempt from registration under the Securities Act of 1933, as amended, as a transaction not involving a public offering under Section 4(2).

**ITEM 6. SELECTED FINANCIAL DATA**

The following selected consolidated financial data reflect our financial condition, results of operations and cash flows both before and after our spin-off from Ford on June 28, 2000. Selected consolidated financial data for the periods prior to our spin-off reflect the historical financial condition, results of operations and cash flows of the businesses that were considered part of the Visteon business of Ford during each respective period. The historical consolidated statement of operations data set forth below for periods prior to our spin-off do not reflect many significant changes that occurred in the operations and funding of our company as a result of our spin-off from Ford.

The selected consolidated financial data should be read in conjunction with, and are qualified by reference to, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and accompanying notes included elsewhere in this report. The consolidated statement of operations, cash flow and balance sheet data, set forth below, have been derived from our audited financial statements. Certain amounts for prior periods were reclassified to conform with present period presentation.

The following financial information may not reflect what our results of operations, financial condition and cash flows would have been had we operated as a separate, stand-alone entity during the periods presented or what our results of operations, financial condition and cash flows will be in the future.

**ITEM 6. SELECTED FINANCIAL DATA — (Continued)**

|  | 2003  | 2002      | 2001      | 2000      | 1999      |
|--|---|-----------|-----------|-----------|-----------|
|  | (in millions, except per share amounts and percentages) |           |           |           |           |
| <b>Statement of Operations Data</b>  |   |           |           |           |           |
| Sales  |   |           |           |           |           |
| Ford and affiliates  | \$ 13,475   | \$ 14,779 | \$ 14,656 | \$ 16,448 | \$ 17,105 |
| Other customers  | 4,185   | 3,616     | 3,187     | 3,019     | 2,261     |
| Total sales  | 17,660  | 18,395    | 17,843    | 19,467    | 19,366    |
| Costs and expenses   |   |           |           |           |           |
| Costs of sales   | 17,786  | 17,588    | 17,105    | 18,129    | 17,380    |
| Selling, administrative and other expenses   | 1,002   | 888       | 855       | 897       | 797       |
| Total costs and expenses   | 18,788  | 18,476    | 17,960    | 19,026    | 18,177    |
| Operating income (loss)  | (1,128)   | (81)      | (117)     | 441       | 1,189     |
| Interest income  | 17  | 23        | 55        | 109       | 79        |
| Interest expense   | 94  | 103       | 131       | 167       | 143       |
| Net interest expense   | (77)  | (80)      | (76)      | (58)      | (64)      |
| Equity in net income of affiliated companies   | 55  | 44        | 24        | 56        | 47        |
| Income (loss) before income taxes, minority interests and change in accounting   | (1,150)   | (117)     | (169)     | 439       | 1,172     |
| Provision (benefit) for income taxes   | 34  | (58)      | (72)      | 143       | 422       |
| Income (loss) before minority interests and change in accounting   | (1,184)   | (59)      | (97)      | 296       | 750       |
| Minority interests in net income of subsidiaries   | 29  | 28        | 21        | 26        | 15        |
| Income (loss) before change in accounting  | (1,213)   | (87)      | (118)     | 270       | 735       |
| Cumulative effect of change in accounting, net of tax  | —   | (265)     | —         | —         | —         |
| Net income (loss)  | \$ (1,213)  | \$ (352)  | \$ (118)  | \$ 270    | \$ 735    |
| Earnings (loss) per share:   |   |           |           |           |           |
| Basic and diluted before cumulative effect of change in accounting (based on 130,000,000 shares outstanding for periods prior to our spin-off) | \$ (9.65)   | \$ (0.68) | \$ (0.91) | \$ 2.08   | \$ 5.65   |
| Cumulative effect of change in accounting  | —   | (2.07)    | —         | —         | —         |
| Basic and diluted  | \$ (9.65)   | \$ (2.75) | \$ (0.91) | \$ 2.08   | \$ 5.65   |
| Cash dividends per share   | \$ 0.24   | \$ 0.24   | \$ 0.24   | \$ 0.12   | —         |
| <b>Statement of Cash Flows Data</b>  |   |           |           |           |           |
| Cash provided by (used in) operating activities  | \$ 370  | \$ 1,101  | \$ 436    | \$ (526)  | \$ 2,482  |
| Cash (used in) investing activities  | (788)   | (607)     | (743)     | (842)     | (1,453)   |
| Cash provided by (used in) financing activities  | 128   | (338)     | (75)      | 924       | 290       |
| <b>Balance Sheet Data, end of period</b>   |   |           |           |           |           |
| Total assets   | \$ 10,964   | \$ 11,170 | \$ 11,162 | \$ 11,405 | \$ 12,542 |
| Total debt   | 1,818   | 1,691     | 1,922     | 2,019     | 2,319     |
| Total equity   | 1,858   | 2,978     | 3,291     | 3,505     | 1,499     |
| <b>Other Financial Data</b>  |   |           |           |           |           |
| Depreciation and amortization  | \$ 674  | \$ 631    | \$ 666    | \$ 676    | \$ 651    |
| Capital expenditures   | 879   | 723       | 752       | 793       | 876       |
| After tax return on:   |   |           |           |           |           |
| Sales  | (6.7)%  | (0.3)%    | (0.5)%    | 1.5%      | 3.9%      |
| Average assets   | (10.7)%   | (0.5)%    | (0.9)%    | 2.5%      | 6.8%      |

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This section summarizes significant factors affecting the company's consolidated operating results, financial condition and liquidity for the three-year period ended December 31, 2003. This section should be read in conjunction with the company's consolidated financial statements and related notes appearing elsewhere in this report.

### Overview

Visteon is a leading global supplier of automotive systems, modules and components. We sell our products primarily to global vehicle manufacturers, and also sell to the worldwide aftermarket for replacement and vehicle appearance enhancement parts. Ford established Visteon as a wholly-owned subsidiary in January 2000, and subsequently transferred to Visteon the assets and liabilities comprising Ford's automotive components and systems business. Ford completed its spin-off of Visteon on June 28, 2000. We operate in two business segments: Automotive Operations and Glass Operations.

The automotive industry experienced a modest increase in worldwide sales and production volumes in 2003 over 2002. However, our largest customer, Ford, saw its sales and production volumes decrease mainly in its North American markets from 4.1 million units in 2002 to 3.7 million units in 2003. Our 2003 sales of \$17.7 billion were down 4% from 2002. This decline was associated with lower Ford production, offset partially by a 16% increase in our sales to non-Ford customers of \$4.2 billion. Revenue from Ford and its affiliates totaled 76% of Visteon's sales in 2003 compared with 80% in 2002. Because of our heavy involvement in Ford's North American operations, North America continues to be our primary sales market, with the United States representing the largest portion of that market. We expect Ford production volumes to remain relatively stable in 2004 and our non-Ford sales to continue to grow steadily over the next several years.

A number of factors contributed to a 2003 net loss of \$1.2 billion, declining further from a 2002 net loss of \$352 million. We recorded significant after-tax special charges totaling \$947 million during 2003, which were more than double the amount recorded in 2002. These special charges are discussed in detail below. Further, our operating performance was adversely affected primarily by lower Ford production volumes, price reductions given to our customers, and costly infrastructure improvements. On the positive side, we continued to experience improved contribution as a result of new business, particularly from our operations in the Asia-Pacific region.

2003 was also marked by several major events that are expected to help our performance in the future. First, Visteon and Ford entered into a series of agreements designed to address structural issues arising from the separation in 2000 and restructure their ongoing commercial relationship. These agreements are discussed above under "Item 1. Business — Arrangements with Ford and its Affiliates." Next, we reached agreement with Ford and other parties that permitted us to exit from our unprofitable seating operations in Chesterfield, Michigan. Finally, Ford and the UAW implemented a new four-year master collective bargaining agreement, which covers a significant portion of Visteon's hourly workforce, and negotiations are underway on an agreement that would provide for more competitive wages and benefits for future Visteon hourly workers. These events are discussed further below.

At December 31, 2003, our cash and marketable securities balance was \$956 million and our debt-to-capital ratio was 49%, compared with \$1.3 billion and 36%, respectively, at year-end 2002. This and our liquidity position are discussed further below.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND**
**RESULTS OF OPERATIONS — (Continued)**
**Restructuring, Dispositions and Special Charges**

The table below presents special charges related to restructuring initiatives and other actions during the past three years:

|   | Automotive<br>Operations | Glass<br>Operations | Total<br>Visteon |
|---|--------------------------|---------------------|------------------|
|   | (in millions)            |                     |                  |
| <b>2003</b>   |                          |                     |                  |
| <i>Special Charges:</i>   |                          |                     |                  |
| 4th Quarter Asset Impairment  | \$ (407)                 | \$ —                | \$ (407)         |
| Exit of Seating Operations  | (217)                    | —                   | (217)            |
| European Plan for Growth  | (77)                     | —                   | (77)             |
| Restructuring and other actions                                     | (48)                     | —                   | (48)             |
| <b>Total 2003 special charges, before taxes</b>                     | <b>\$ (749)</b>          | <b>\$ —</b>         | <b>\$ (749)</b>  |
| Special charges above, after taxes                                  | \$ (479)                 | \$ —                | \$ (479)         |
| Deferred tax asset valuation allowance                              | (463)                    | (5)                 | (468)            |
| <b>Total 2003 special charges, after taxes</b>                      | <b>\$ (942)</b>          | <b>\$ (5)</b>       | <b>\$ (947)</b>  |
| <b>2002</b>   |                          |                     |                  |
| <i>Special Charges:</i>   |                          |                     |                  |
| Exit of Markham Restraint Electronics and other 1st Quarter actions | \$ (95)                  | \$ —                | \$ (95)          |
| U.S. salaried special early retirement program                      | (66)                     | (5)                 | (71)             |
| European Plan for Growth  | (40)                     | —                   | (40)             |
| Loss on sale of restraint electronics business                      | (26)                     | —                   | (26)             |
| Other restructuring (including adjustments to prior year's expense) | 6                        | 3                   | 9                |
| <b>Total 2002 special charges, before taxes</b>                     | <b>\$ (221)</b>          | <b>\$ (2)</b>       | <b>\$ (223)</b>  |
| Special charges above, after taxes                                  | \$ (141)                 | \$ (1)              | \$ (142)         |
| Effect of change in accounting, net of tax                          | (265)                    | —                   | (265)            |
| <b>Total 2002 special charges, after taxes</b>                      | <b>\$ (406)</b>          | <b>\$ (1)</b>       | <b>\$ (407)</b>  |
| <b>2001</b>   |                          |                     |                  |
| <i>Special Charges:</i>   |                          |                     |                  |
| Salaried restructuring  | \$ (132)                 | \$ (14)             | \$ (146)         |
| Glass Operations restructuring charges                              | —                        | (34)                | (34)             |
| European plant consolidations and other                             | (10)                     | (2)                 | (12)             |
| <b>Total 2001 special charges, before taxes</b>                     | <b>\$ (142)</b>          | <b>\$ (50)</b>      | <b>\$ (192)</b>  |
| <b>Total 2001 special charges, after taxes</b>                      | <b>\$ (90)</b>           | <b>\$ (31)</b>      | <b>\$ (121)</b>  |

During fourth quarter 2003, Visteon recorded a pre-tax, non-cash impairment write-down of \$407 million (\$260 million after-tax) in costs of sales to reduce the net book value of certain assets associated with six product groups. This write-down was based on an assessment by product-line asset group, completed in fourth quarter 2003, of the recoverability of our long-lived assets in light of the challenging environment in which we operate, and as a part of our business planning process for 2004 and beyond.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND**

**RESULTS OF OPERATIONS — (Continued)**

During second quarter 2003, Visteon finalized an agreement with Ford to transfer seat production located in Chesterfield, Michigan to another supplier. Visteon agreed to be responsible to reimburse Ford for the actual net costs of transferring seating production through June 2004, offset by certain cost savings expected to be realized by Ford. The ultimate costs and cash payments related to this agreement depend on several factors, including the actual costs incurred related to the relocation, re-deployment and/or employment termination of the 1,470 Visteon-assigned Ford-UAW employees working at the Chesterfield facility, and the savings achieved by Ford (as defined in the agreement) resulting from resourcing production that will serve as an offset to the transition costs. We expect an average payback of a little more than two years.

During fourth quarter 2003, Visteon recorded a non-cash charge of \$468 million to increase the valuation allowance for deferred tax assets, as described later under "Critical Accounting Policies" and in Note 5 of our consolidated financial statements.

For the full year 2003, we incurred pre-tax charges of \$77 million related to the European Plan for Growth. When completed in 2004, the European Plan for Growth is expected to result in annual savings of \$100 million before taxes. Savings in 2002 and 2003 combined has been over \$50 million. Restructuring and other actions in 2003 resulted in pre-tax charges of \$48 million, \$20 million of which was charged to selling, administrative and other expenses. Of the \$749 million in pre-tax special charges described above, \$436 million were non-cash, \$292 million were cash charges including amounts related to the exit of seating operations, and \$21 million were related to special pension and other postretirement benefits.

During 2002, Visteon recorded net pre-tax charges of \$223 million related to a number of restructuring and other actions and the sale of the restraint electronics business, as described in Note 13 of our consolidated financial statements, which is incorporated herein by reference. In addition, the company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets." With this change in accounting, Visteon recorded a non-cash write-off for the entire value of goodwill of \$363 million before taxes (\$265 million after taxes), as described in Note 14 of our consolidated financial statements, which is incorporated herein by reference. Of the \$223 million in pre-tax charges described above, \$54 million were non-cash related and the remainder were cash charges.

During 2001, Visteon recorded net pre-tax charges of \$192 million associated primarily with salaried workforce restructuring and the special voluntary retirement and separation program offered to hourly employees located at Visteon's Nashville plant, as described in Note 13 of our consolidated financial statements, which is incorporated herein by reference. Of the \$192 million in pre-tax charges recorded in 2001, \$5 million were non-cash related and the remainder were cash charges.

In 2004, we anticipate continued implementation of restructuring actions including the continuation of the European Plan for Growth. We expect that the charges associated with these items will be substantially lower than in 2003. In addition, we are constantly evaluating the possibility of partnerships, sales or closings involving under-performing businesses. However, there can be no assurance that a transaction or other arrangement favorable to Visteon will occur in the near term or at all.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

## RESULTS OF OPERATIONS — (Continued)

## Results of Operations

2003 Compared with 2002

Sales for each of our segments for 2003 and 2002 are summarized in the following table:

|  | Year Ended<br>December 31, |                  | 2003<br>over/(under)<br>2002 |
|--|----------------------------|------------------|------------------------------|
|  | 2003                       | 2002             |                              |
|  |                            | (in millions)    |                              |
| Automotive Operations                    | \$ 17,097                  | \$ 17,797        | \$ (700)                     |
| Glass Operations                         | 563                        | 598              | (35)                         |
| <b>Total sales</b>                       | <b>\$ 17,660</b>           | <b>\$ 18,395</b> | <b>\$ (735)</b>              |
| Memo: Sales to non-Ford customers Amount | \$ 4,185                   | \$ 3,616         | \$ 569                       |
| Percentage of total sales                | 24%                        | 20%              | 4 pts                        |

Sales for Automotive Operations were \$17.1 billion in 2003, compared with \$17.8 billion in 2002, a decrease of \$700 million or 4%. This decrease reflects lower sales of \$1,295 million resulting primarily from a decline in Ford worldwide vehicle production, exit of our seating operations of \$251 million, and \$150 million lump sum payments to Ford for pricing in North America, offset partially by favorable currency changes of \$611 million and new business to both Ford and non-Ford customers. Sales for Automotive Operations were affected also by lower sales associated with precious metals purchased under sourcing arrangements directed by Ford and price reductions.

Sales for Glass Operations were \$563 million in 2003, compared with \$598 million in 2002, a decrease of \$35 million or 6%, resulting primarily from lower Ford North American production volume.

**Costs of Sales** for 2003 were \$17.8 billion, up \$198 million compared with 2002. Costs of sales includes primarily material, labor, manufacturing overhead and other costs, such as product development costs. The increase reflects a \$529 million increase in special charges, currency fluctuations of \$569 million, costs associated with the labor agreement reached with the UAW of \$64 million (contract ratification lump sum payment), and higher costs to launch business with new customers. These increases were offset partially by lower variable costs of \$923 million resulting primarily from a decline in Ford worldwide vehicle production, net material cost reductions, and manufacturing efficiencies. The exit of our seating operations in June 2003 reduced costs an additional \$293 million.

**Selling, administrative and other expenses** for 2003 were \$1,002 million, \$114 million higher compared with 2002. The increase reflects primarily incremental Information Technology ("IT") actions of \$88 million, net of \$48 million received from Ford. Costs associated with such incremental IT actions are expected to continue into mid-2004. Special charges included in this line item were \$20 million for 2003, representing a \$3 million decrease from 2002.

**Net interest expense** of \$77 million in 2003 was down \$3 million from 2002, reflecting lower average debt balances and lower average interest rates.

**Equity in net income of affiliated companies** was \$55 million in 2003, compared with \$44 million in 2002, with the increase related primarily to our affiliates in Asia.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND**
**RESULTS OF OPERATIONS — (Continued)**

**Income (loss) before income taxes, minority interests and change in accounting**, including and excluding special charges, is the primary profitability measure used by our chief operating decision makers. The following table shows income (loss) before income taxes for 2003 and 2002, for each of our segments:

|                                | Year Ended<br>December 31, |                 | 2003<br>(under)<br>2002 |
|--------------------------------|----------------------------|-----------------|-------------------------|
|                                | 2003                       | 2002            |                         |
|                                | (in millions)              |                 |                         |
| Automotive Operations          | \$ (1,142)                 | \$ (138)        | \$ (1,004)              |
| Glass Operations               | (8)                        | 21              | (29)                    |
| <b>Total</b>                   | <b>\$ (1,150)</b>          | <b>\$ (117)</b> | <b>\$ (1,033)</b>       |
| Memo:                          |                            |                 |                         |
| Special charges included above | \$ (749)                   | \$ (223)        | \$ (526)                |

Automotive Operations' 2003 loss before income taxes was \$1,142 million compared with a loss of \$138 million for 2002. Special charges before taxes in 2003 were up \$526 million from 2002. The increased loss also reflects lower vehicle production volume, UAW contract ratification costs, and higher IT costs of \$373 million, \$59 million and \$88 million, respectively. 2003 results include a loss of \$25 million from seating operations that were exited June 23, 2003. Seating operations' losses were \$98 million in 2002. Results were affected also by new business and favorable cost performance, offset partially by price reductions.

Loss before income taxes for Glass Operations in 2003 was \$8 million compared with income of \$21 million before taxes for 2002, reflecting primarily lower Ford North American production volume and UAW contract ratification costs.

**Provision (benefit) for income taxes** represents an effective tax rate of 3% for 2003, compared with (36)% for 2002. The change in effective tax rate was caused by the recording of additional valuation allowances against our deferred tax assets, as discussed later under "Critical Accounting Policies" and in Note 5 of our consolidated financial statements.

**Minority interests in net income of subsidiaries** was \$29 million in 2003, compared with \$28 million in 2002. Minority interest amounts are related primarily to our 70% ownership interest in Halla Climate Control Corporation located in Korea.

**Net income (loss)** for 2003 and 2002 are shown in the following table for each of our segments:

|                                | Year Ended<br>December 31, |                 | 2003<br>(under)<br>2002 |
|--------------------------------|----------------------------|-----------------|-------------------------|
|                                | 2003                       | 2002            |                         |
|                                | (in millions)              |                 |                         |
| Automotive Operations          | \$ (1,205)                 | \$ (367)        | \$ (838)                |
| Glass Operations               | (8)                        | 15              | (23)                    |
| <b>Total</b>                   | <b>\$ (1,213)</b>          | <b>\$ (352)</b> | <b>\$ (861)</b>         |
| Memo:                          |                            |                 |                         |
| Special charges included above | \$ (947)                   | \$ (142)        | \$ (805)                |
| Goodwill Impairment            | —                          | (265)           | (265)                   |

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND****RESULTS OF OPERATIONS — (Continued)**

Visteon reported a net loss for 2003 of \$1.2 billion compared with \$352 million for 2002 because of the factors described previously in income (loss) before income taxes. Special charges after taxes were \$947 million and \$407 million for 2003 and 2002, respectively.

**Results of Operations***2002 Compared with 2001*

Sales for each of our segments for 2002 and 2001 are summarized in the following table:

|                                   | Year Ended<br>December 31, |                  | 2002<br>over/(under)<br>2001 |
|-----------------------------------|----------------------------|------------------|------------------------------|
|                                   | 2002                       | 2001             |                              |
|                                   |                            | (in millions)    |                              |
| Automotive Operations             | \$ 17,797                  | \$ 17,222        | \$ 575                       |
| Glass Operations                  | 598                        | 621              | (23)                         |
| <b>Total sales</b>                | <b>\$ 18,395</b>           | <b>\$ 17,843</b> | <b>\$ 552</b>                |
| Memo: Sales to non-Ford customers |                            |                  |                              |
| Amount                            | \$ 3,616                   | \$ 3,187         | \$ 429                       |
| Percentage of total sales         | 20%                        | 18%              | 2 pts                        |

Sales for Automotive Operations were \$17.8 billion in 2002, compared with \$17.2 billion in 2001, an increase of \$575 million or 3%. Increased sales for Automotive Operations reflect primarily new business, increased sales of \$146 million resulting from increased Ford worldwide vehicle production, and currency fluctuations of \$118 million. Sales from Automotive Operations were affected also by lower sales associated with precious metals purchased under sourcing arrangements directed by Ford, and price reductions.

Sales for Glass Operations were \$598 million in 2002, compared with \$621 million in 2001, a decrease of \$23 million or 4%. Reduced sales for Glass Operations reflect lower commercial and aftermarket volume and price reductions, offset partially by stronger Ford North American production volume.

**Costs of Sales** for 2002 were \$17.6 billion, \$483 million higher compared with 2001. The increase in 2002 reflects primarily new business, \$104 million increase resulting from higher vehicle production volume, and currency fluctuation of \$64 million. Costs of sales were affected also by increased new business offset partially by net material cost reductions and manufacturing efficiencies. Special charges included in costs of sales were \$200 million in 2002 and \$150 million in 2001.

**Selling, administrative and other expenses** for 2002 were \$888 million, compared with \$855 million in 2001. The increase of \$33 million reflects primarily higher selling expenses (up \$26 million). Special charges were lower in 2002, totaling \$23 million in 2002 and \$42 million in 2001.

**Net interest expense** of \$80 million for 2002 was up from \$76 million in 2001, reflecting lower interest rates received on average cash balances.

**Equity in net income of affiliated companies** was \$44 million in 2002, compared with \$24 million in 2001, with the increase related primarily to our affiliates in Asia.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

## RESULTS OF OPERATIONS — (Continued)

**Income (loss) before income taxes, minority interests and change in accounting** is shown in the following table for 2002 and 2001 for each of our segments:

|                                 | Year Ended<br>December 31, |                 | 2002<br>over/(under)<br>2001 |
|---------------------------------|----------------------------|-----------------|------------------------------|
|                                 | 2002                       | 2001            |                              |
|                                 | (in millions)              |                 |                              |
| Automotive Operations           | \$ (138)                   | \$ (110)        | \$ (28)                      |
| Glass Operations                | 21                         | (59)            | 80                           |
| <b>Total</b>                    | <b>\$ (117)</b>            | <b>\$ (169)</b> | <b>\$ 52</b>                 |
| Memo:                           |                            |                 |                              |
| Special charges included above: | \$ (223)                   | \$ (192)        | \$ (31)                      |

Automotive Operations' 2002 loss before taxes was \$138 million compared with \$110 million for the same period in 2001. The increased loss is more than explained by higher special charges. Results were favorably affected by new business and cost performance, offset partially by price reductions.

Income before income taxes for Glass Operations was \$21 million in 2002, compared with a loss of \$59 million for 2001. The improvement reflects primarily lower special charges and cost reductions, offset partially by price reductions to customers.

**(Benefit) for income taxes** represents an effective tax rate of (36)% for 2002, compared with (37)% for 2001.

**Minority interests in net income of subsidiaries** was \$28 million in 2002, compared with \$21 million in 2001. Minority interest amounts are related primarily to our 70% ownership interest in Halla Climate Control Corporation located in Korea.

**Net income (loss)** for 2002 and 2001 are shown in the following table for each of our segments:

|                                | Year Ended<br>December 31, |                 | 2002<br>over/(under)<br>2001 |
|--------------------------------|----------------------------|-----------------|------------------------------|
|                                | 2002                       | 2001            |                              |
|                                | (in millions)              |                 |                              |
| Automotive Operations          | \$ (367)                   | \$ (83)         | \$ (284)                     |
| Glass Operations               | 15                         | (35)            | 50                           |
| <b>Total</b>                   | <b>\$ (352)</b>            | <b>\$ (118)</b> | <b>\$ (234)</b>              |
| Memo:                          |                            |                 |                              |
| Special charges included above | \$ (142)                   | \$ (121)        | \$ (21)                      |
| Goodwill Impairment            | (265)                      | —               | (265)                        |

Visteon reported a net loss of \$352 million for 2002, compared with a net loss of \$118 million for 2001 because of the factors described in the income (loss) before income taxes section. Special charges after taxes were \$142 million and \$121 million in 2002 and 2001, respectively. Goodwill impairment after taxes was \$265 million in 2002.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND**

**RESULTS OF OPERATIONS — (Continued)**

**Liquidity and Capital Resources**

*Overview*

Visteon's funding objective is to finance its worldwide business with cash from operations, supplemented when required by a combination of liquidity sources, including but not limited to cash and cash investments, receivables programs, and committed and uncommitted bank facilities and debt issuance. These sources are used also to fund working capital needs, which are highly variable during the year because of changing customer production schedules.

Our balance sheet reflects cash and marketable securities of \$956 million and total debt of about \$1.8 billion at December 31, 2003, compared with cash and marketable securities of about \$1.3 billion and total debt of about \$1.7 billion at December 31, 2002. Net debt, defined as the amount by which total debt exceeds total cash and marketable securities, was \$862 million at December 31, 2003, and \$413 million at December 31, 2002. The change in both our cash and marketable securities and net debt resulted primarily from capital expenditures in excess of cash provided by operating activities. Our ratio of total debt to total capital, which consists of total debt plus total stockholders' equity, was 49% at December 31, 2003 and 36% at December 31, 2002, and increased primarily because of net losses as described above.

*Financing Arrangements*

Visteon has financing arrangements providing contractually committed, unsecured revolving credit facilities with a syndicate of third-party lenders providing for a maximum of \$1,580 million in committed, unsecured credit facilities (the "Credit Facilities"). The terms of the Credit Facilities provide for a 364-day revolving credit line in the amount of \$555 million, which expires June 2004, and a five-year revolving credit line in the amount of \$775 million, which expires June 2007. The Credit Facilities also provide for a five-year, delayed-draw term loan in the amount of \$250 million, which will be used primarily to finance new construction for facilities consolidation in Southeast Michigan. At December 31, 2003, there were no borrowings outstanding under the 364-day facility or the five-year facility, there were \$44 million of obligations under standby letters of credit under the five-year facility, and \$104 million borrowed against the delayed-draw term loan. The Credit Facilities contain certain affirmative and negative covenants, including a financial covenant not to exceed a leverage ratio of net debt to EBITDA (adjusted and excluding special charges) of 3.5 to 1. Increases in the ratio of net debt to EBITDA can occur during quarters following seasonal shutdown periods, when cash usage increases. In the opinion of management, Visteon has been in compliance with all covenants since the inception of the Credit Facilities. During 2004, we expect to be in compliance although there can be no assurance that this will be the case.

Visteon has maintained a commercial paper program utilizing the Credit Facilities as backup. As of December 31, 2003, we had \$81 million outstanding under our commercial paper program compared with \$166 million at December 31, 2002. In the event the availability of commercial paper is reduced further or eliminated, our revolving credit lines provide a backup source for funding.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND**

**RESULTS OF OPERATIONS — (Continued)**

Visteon maintains a trade payables program through General Electric Capital Corporation ("GECC"), subject to periodic review, that provides financial flexibility to Visteon and its suppliers. When a supplier participates in the program, GECC pays the supplier the amount due from Visteon in advance of the original due date. In exchange for the earlier payment, our suppliers accept a discounted payment. Visteon pays GECC the full amount. Approximately \$100 million and \$45 million, classified as short-term debt, was outstanding to GECC under this program at December 31, 2003 and 2002, respectively. Previously, amounts due GECC were classified as trade payables. Debt, trade payables and related cash flow amounts for prior periods were reclassified to conform with present period presentation. As part of the same program with GECC, Visteon is allowed to defer payment to GECC for a period of up to 30 days. At December 31, 2003, Visteon had not exercised the deferral option of the program.

In addition, Visteon participates in a trade payables program offered by one of our customers. When we participate, our receivables are reduced and our cash balances are increased. Our receivables were reduced by \$75 million and \$25 million at December 31, 2003 and 2002, respectively as a result of this program.

Visteon has entered into interest rate swaps to manage our interest rate risk. These swaps effectively convert a portion of Visteon's fixed rate debt into variable rate debt, and as a result, approximately 40% of Visteon's borrowings are on a fixed rate basis, while the remainder is subject to changes in short-term interest rates. As interest rates have fallen, Visteon's interest rate swaps contributed favorably to reduce interest expense in 2003.

*Credit Ratings*

Our long-term credit rating with Standard & Poor's ("S&P") is BB+; with Moody's it is Ba1, and with Fitch it is BBB-. Both S&P and Moody's do not rate our short-term credit while Fitch rates us F3. Both S&P and Moody's have covered Visteon since June 2000, and Fitch initiated coverage on June 11, 2003. In December 2003, both S&P and Moody's reduced their credit rating and placed us on Stable Outlook. Despite the recent downgrade by S&P and Moody's, we continue to have access to sufficient liquidity, and believe we will continue to have access, to meet ongoing operating requirements although that access is less reliable and could be more costly than it was previously. As commercial paper availability is reduced or eliminated, we would utilize alternative sources of liquidity, including those discussed above and receivables-based funding sources available to us.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND****RESULTS OF OPERATIONS — (Continued)***Cash Requirements*

The following table summarizes our expected cash outflows resulting from long-term obligations existing as of December 31, 2003:

|                                       | Total           | 2004          | 2005-2006       | 2007-2008     | 2009<br>and after |
|---------------------------------------|-----------------|---------------|-----------------|---------------|-------------------|
|                                       | (in millions)   |               |                 |               |                   |
| Unconditional purchase obligations(a) | \$ 2,265        | \$ 324        | \$ 558          | \$ 498        | \$ 885            |
| Postretirement funding commitments(b) | 2,090           | 38            | 166             | 257           | 1,629             |
| Debt                                  | 1,818           | 351           | 565             | 117           | 785               |
| North American seating operations(c)  | 292             | 86            | 24              | 24            | 158               |
| Operating leases                      | 232             | 53            | 64              | 45            | 70                |
| <b>Total contractual obligations</b>  | <b>\$ 6,697</b> | <b>\$ 852</b> | <b>\$ 1,377</b> | <b>\$ 941</b> | <b>\$ 3,527</b>   |

- (a) Unconditional purchase obligation amounts exclude purchase obligations related to inventory, property, plant and equipment purchases in the ordinary course of business. The obligations include amounts related primarily to a 10-year information technology agreement entered into with IBM in January 2003. Pursuant to this agreement, we outsourced most of our IT needs on a global basis. The service charges under the outsourcing agreement are expected to aggregate about \$2 billion during the ten-year initial term of the agreement, subject to decreases and increases in the service charges based on Visteon's actual consumption of services to meet our then current business needs. The outsourcing agreement may be terminated also for Visteon's business convenience after our second full year under the agreement for a scheduled termination fee.
- (b) Postretirement funding commitments include estimated liability to Ford for postretirement health care and life insurance benefits of the Visteon-assigned Ford-UAW employees and certain salaried employees as discussed in Note 7 of our consolidated financial statements, which is incorporated by reference herein. Funding for the Voluntary Employees' Beneficiary Association begins in 2006 and is also included in the table above.
- (c) Represents amounts payable to Ford related to our June 2003 exit from the North American seating operations, which is discussed further in Note 13 of our consolidated financial statements, which is incorporated by reference herein.

We have guaranteed also about \$24 million of borrowings held by unconsolidated joint ventures and have extended loans of about \$3 million to unconsolidated joint ventures as of December 31, 2003. In addition, we have guaranteed Tier 2 suppliers' debt and lease obligations of about \$16 million at December 31, 2003 to ensure the continued supply of essential parts.

Cash required to meet capital expenditure needs increased in 2003 to \$879 million and was higher than historic levels as described below (Cash Flows — Investing Activities). Our cash and liquidity needs also are impacted by the level, variability and timing of our customers' worldwide vehicle production, which varies based on economic conditions and market shares in major markets. Our intra-year needs are impacted also by seasonal effects in the industry, such as the shutdown of operations for about two weeks in July, the subsequent ramp-up of new model production and the additional one-week shutdown in December by our primary North American customers. These seasonal effects normally require use of liquidity resources during the first and third quarters. Additionally, creation of a separate IT environment during 2003, as stated below in Item 9A Controls and Procedures, could have an impact on timing of collection of payments from Ford.

We expect improved performance for 2004 will result in cash from operating activities exceeding capital expenditure requirements, although this may not be the case during specific quarters. Based on our present assessment of future customer production levels over a two-year time horizon, we believe we can meet general and seasonal cash needs using cash flows from operations, cash balances and borrowings, if needed. We also believe we can supplement these

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND**

**RESULTS OF OPERATIONS — (Continued)**

sources with access to the capital markets on satisfactory terms and in adequate amounts, if needed, although there can be no assurance that this will be the case.

**Pension and Postretirement Benefits**

Employees and retirees participate in various pension, healthcare and life insurance benefit plans sponsored by Visteon and Visteon subsidiaries. Benefit plan liabilities and related asset transfers between Visteon and Ford in connection with our separation from Ford are covered by various employee benefit agreements.

*Arrangements with Ford*

In accordance with the separation-related agreements, in the U.S., Ford retained the pension-related past service obligations for those transferred salaried employees that met certain age and years of service requirements at the date of the separation from Ford. Visteon-assigned Ford-UAW employees participate in the Ford-UAW Retirement Plan, sponsored by Ford. By agreement, Visteon compensates Ford for the pension expense incurred by Ford related to Visteon-assigned Ford-UAW hourly employees. In the U.S., Visteon has a financial obligation for the cost of providing selected healthcare and life insurance benefits to its employees, as well as an obligation to reimburse Ford for Visteon-assigned Ford-UAW employees who retire after July 1, 2000. Ford retained the financial obligation and related prepayments for pension and postretirement healthcare and life insurance benefits to its employees who retired on or before July 1, 2000.

During the fourth quarter of 2003, the separation-related agreements were amended and restated. Under the terms of the amended and restated agreements, Ford agreed to assume responsibility for approximately \$1,646 million of amounts previously owed by Visteon to Ford for postretirement health and life insurance benefits earned by the Visteon-assigned Ford-UAW employees during the period prior to the separation. Ford agreed also to assume responsibility for future accretion on the \$1,646 million amount at the appropriate SFAS 106 discount rate (6.25% at December 31, 2003). Visteon had previously recorded the \$1,646 million liability in accordance with the original terms of the separation-related agreements. Visteon continues to be responsible to Ford for changes in this liability that result from changes in actuarial assumptions, changes in salaries and Visteon early retirement incentive plans.

In accordance with SFAS 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings," Visteon has not recorded any gain or loss relating to this amendment because future accretion and contingently payable amounts with respect to the restructured obligation are expected to exceed the amount currently recorded by Visteon. The amounts ultimately due are contingent upon future health and retirement benefit costs to be charged to Visteon by Ford with respect to the Visteon-assigned Ford-UAW employees. A portion of the yearly expense charged by Ford will be offset as charged by the release of the contingently payable amount (\$1,138 million at December 31, 2003) and the remainder will reduce future accretion charges over the life of the obligation (\$508 million).

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND**

**RESULTS OF OPERATIONS — (Continued)**

Under the terms of the revised Agreements with Ford, Visteon is required to fund a portion of actual costs of these benefits as incurred by Ford for the Visteon-assigned Ford-UAW employees through 2005 and certain salaried employees through 2010. In addition, Visteon has agreed to contribute funds to a Voluntary Employees' Beneficiary Association ("VEBA") trust to fund postretirement health care and life insurance benefits to be provided by Ford related to the post-spin service of Visteon-assigned Ford-UAW hourly employees as well as many transferred salaried employees. The required VEBA funding is over a 44-year period beginning in 2006 for the Visteon-assigned Ford-UAW hourly employees, and over a 39-year period beginning in 2011 for those salaried employees. The annual funding requirement during these periods will be determined based upon amortization of the unfunded liabilities at the beginning of each period, plus amortization of annual expense. Based upon estimates of the unfunded liabilities and the related expense, the first required annual payment to the VEBA will be about \$112 million (which includes about \$30 million to cover benefit payments) in 2006 reduced from \$535 million based on the prior agreement. In December 2000, the company pre-funded a portion of this obligation by contributing \$25 million to a VEBA. The fair value of the VEBA assets as of December 31, 2003 was \$28 million, and is included in other non-current assets in the accompanying balance sheet.

*Visteon Pension Plans*

The Visteon plans' worldwide funded position is slightly better than it was a year ago on a percentage basis. Strong asset returns along with world-wide contributions offset the effect of lower discount rates. For the plan year ended September 30, 2003 (the measurement date for our pension funds) our U.S. portfolio returned 20%. The U.S. pension plan investment strategy, asset allocations and expected contributions for 2004 are discussed in Note 7 to our consolidated financial statements, incorporated herein by reference.

*Legislation*

The Medicare Drug Improvement and Modernization Act of 2003 was signed into law on December 9, 2003, subsequent to our September 30, 2003 measurement date. Because the impact of the act on Visteon's expense will depend in large part on Ford's implementation decisions, we have not quantified the effect, but expect it to be a significant reduction in expense.

**Cash Flows**

*Operating Activities*

Cash provided by operating activities during 2003 totaled \$370 million, compared with cash provided by operating activities of \$1,101 million for the same period in 2002. The reduced amount of cash provided by operations in 2003 reflects primarily our operating losses. Cash payments related to special charges were \$162 million and \$88 million during 2003 and 2002, respectively.

Pursuant to the Purchase and Supply Agreement between Visteon and Ford, our sales to Ford will be collected in a shorter time frame than in the past. Our agreement calls for Ford to pay us, on average, 33 days after the date of sale, compared with 43 days on average in past years. We expect the effect of this change to improve cash provided by operating activities by approximately \$200 million. This arrangement will be in place for 2004 and 2005, with 2006 being a transition adjustment as we return in 2007 to Ford's standard payment terms in effect at that time.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND**

**RESULTS OF OPERATIONS — (Continued)**

*Investing Activities*

Cash used in investing activities was \$788 million during 2003, compared with \$607 million for 2002. Our capital expenditures for 2003 totaled \$879 million, compared with \$723 million in 2002. Our capital spending in 2003 is higher than historic levels as we undertake spending to fund new construction for consolidation of operations in Southeast Michigan and also to fund our IT infrastructure transition and improvements. We anticipate that our facilities' consolidation will allow us to centralize customer support functions, research and development, and selected business operations at lower operating costs. During 2003, we had net sales of marketable securities of \$70 million, compared with net sales of securities of \$80 million in 2002. The lower level of securities purchased in both years reflects the lower level of cash available for investment and the lower level of attractiveness of these securities as interest rates have fallen over the past two years. Other investing cash flows of \$25 million and \$36 million during 2003 and 2002, respectively, are related primarily to the sale of assets, with the 2002 amount including \$25 million from the sale of the restraint electronics business.

*Financing Activities*

Cash provided by financing activities totaled \$128 million in 2003, compared with cash usage of \$338 million in 2002. The cash proceeds in 2003 reflect primarily the net issuance of debt offset partially by funds used to repay maturing short-term commercial paper obligations, dividend payments and purchases of treasury stock.

On October 13, 2003, the Visteon Board of Directors declared a dividend of \$0.06 per share on Visteon's common stock, payable on December 1, 2003, to the stockholders of record as of October 31, 2003. On January 16, 2004, the Visteon Board of Directors declared a dividend of \$0.06 per share on Visteon's common stock, payable on March 1, 2004, to the stockholders of record as of January 30, 2004. Visteon has paid a dividend each quarter since it became an independent, publicly traded company in June 2000.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND****RESULTS OF OPERATIONS — (Continued)****Critical Accounting Policies**

A summary of Visteon's accounting policies is described in Note 2 of our consolidated financial statements, which is incorporated herein by reference. Critical accounting policies are those that are both most important to the portrayal of a company's financial condition and results, and require management's most difficult, subjective or complex judgments. Our critical accounting policies are considered the following:

*Employee Retirement Benefits*

The determination of our obligation and expense for Visteon's pension and other postretirement benefits, such as retiree healthcare and life insurance, is dependent on our selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 7 of our consolidated financial statements, which is incorporated herein by reference, and include, among others, the discount rate, expected long-term rate of return on plan assets and rates of increase in compensation and healthcare costs. The expected long-term rate of return for pension assets has been chosen based on historical returns for the different asset classes held by our trusts and our asset allocation. The discount rate is chosen based on market rates for long-term, high-quality corporate bonds (principally Moody's Aa 30 year) at our September 30 measurement date. The U.S. discount rate assumption for year end 2003 was 6.1%, reduced from 6.75% at year end 2002. This change increased our U.S. pension and healthcare and life insurance projected benefit obligations by \$103 million and \$82 million, respectively, and is estimated to increase 2004 expense by about \$50 million in aggregate. In accordance with accounting principles generally accepted in the United States of America, actual results that differ from our assumptions are accumulated and amortized over future periods and, therefore, generally affect our recognized expense and recorded obligation in such future periods. Our market-related value of pension assets reflects changes in the fair value of assets over a five-year period, with a one-third weighting to the most recent year. For postretirement healthcare and life insurance, as shown in Note 7 of our consolidated financial statements, we extended the time period needed for the healthcare cost trend rate to reach the ultimate rate from 2008 to 2010. While we believe that our assumptions are appropriate, significant differences in our actual experience or significant changes in our assumptions may materially affect our pension and other postretirement obligations and our future expense.

The following table illustrates the sensitivity to a change in certain assumptions for Visteon's U.S. pension plans on our funded status and pre-tax pension expense:

| 25 basis point change in assumption(a) | Impact on 2004 pre-tax<br>pension expense(b) | Impact on Visteon's<br>U.S. Plan 2003<br>funded status |
|--|--|--|
| decrease in discount rate              | + \$5 million                                | - \$40 million   |
| increase in discount rate              | - \$5 million                                | + \$40 million   |
| decrease in expected return on assets  | + \$5 million                                |  |
| increase in expected return on assets  | - \$5 million                                |  |

(a) Assumes all other assumptions are held constant.

(b) Includes the effect on expense for Visteon-assigned Ford-UAW employees.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND****RESULTS OF OPERATIONS — (Continued)**

The following table illustrates the sensitivity to a change in the discount rate assumption related to Visteon's U.S. postretirement healthcare and life insurance plans:

| 25 basis point change in assumption(a) | Impact on 2004 pre-tax OPEB expense(b) | Impact on Visteon's U.S. Plan 2003 funded status |
|--|--|--|
| decrease in discount rate              | + \$15 million                         | - \$30 million                                   |
| increase in discount rate              | - \$15 million                         | + \$30 million                                   |

(a) Assumes all other assumptions are held constant.

(b) Includes the effect on expense for Visteon-assigned Ford-UAW employees.

Visteon's postretirement benefits payable to Ford includes the financial obligation Visteon has to Ford for the cost of providing selected health care and life insurance benefits to Visteon-assigned Ford-UAW hourly employees and certain Visteon salaried employees who retire after July 1, 2000. The health care and pension costs for these employees are calculated using Ford's assumptions, which are disclosed in Note 7 of our consolidated financial statements. The annual funding requirements related to these employees are discussed further in the section "Pension and Postretirement Benefits."

*Impairment of Long-Lived Assets and Certain Identifiable Intangibles*

Visteon evaluates long-lived assets to be held and used and long-lived assets to be disposed of for potential impairment at the product line level whenever events or changes in business circumstances indicate that the carrying value of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate. Asset groupings at the product line level, rather than the operating segment level used in prior years, is considered the lowest level of identifiable cash flows which are largely independent as the recently completed Ford agreements contractually provide Visteon greater flexibility to make product level decisions, including decisions related to selling or exiting certain businesses. Visteon considers projected future undiscounted cash flows, trends and other circumstances in making such estimates and evaluations. While we believe that our estimates of future cash flows are reasonable, different assumptions regarding such factors as future automotive production volumes (primarily for Ford), selling price changes, labor cost changes, material cost changes, productivity and other cost savings and capital expenditures could significantly affect our evaluations.

During the fourth quarter of 2003, Visteon recorded a pre-tax, non-cash impairment write-down of \$407 million in costs of sales to reduce the net book value of certain long-lived assets. This write-down was based on an assessment by product line asset group, completed in the fourth quarter of 2003, of the recoverability of our long-lived assets in light of the challenging environment in which we operate and as part of our business planning process for 2004 and beyond. This assessment included considering the substantial change in the production levels of Visteon's major customer and the related impact on our future operating projections, as well as the anticipated impact of the recently completed Ford agreements. As a result of this analysis the assets of six product groupings were impaired: bumpers, fuel tanks, starters and alternators, steering columns, suspension systems and wiper/washer. The write-down was approximately \$300 million in North America and \$100 million in Europe and was determined on a "held for use" basis. Fair values were determined primarily based on prices for similar groups of assets determined by a third-party valuation firm.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND**

**RESULTS OF OPERATIONS — (Continued)**

*Deferred Income Taxes*

Deferred income taxes are provided for temporary differences between amounts of assets and liabilities for financial reporting purposes and the basis of such assets and liabilities as measured by tax laws and regulations, as well as net operating loss, tax credit and other carryforwards. SFAS 109, "Accounting for Income Taxes," requires that deferred tax assets be reduced by a valuation allowance if, based on available evidence, it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. This assessment requires significant judgment, and the fact that a benefit may be expected for a portion but not all of a deferred tax asset increases the judgmental complexity.

We evaluate the recoverability of our deferred tax assets on an ongoing basis. In making this evaluation during 2003, we considered all available positive and negative evidence, including our past results, the existence of cumulative losses in recent years, and our forecast of future taxable income, which contemplates a minimum of \$2.4 billion of U.S. taxable earnings over a 10-year time horizon. Our forecast of future taxable income exceeds our recent historical performance and reflects our best assumptions about the likely impact of several major 2003 events and other items that are expected to improve our future profitability, including:

- The series of contractual agreements reached with Ford in December 2003, under which Visteon was relieved of approximately \$1,646 million of OPEB obligations related to Visteon-assigned Ford-UAW employees, in addition to other structural improvements.
- The agreement reached in the second quarter 2003 with Ford and other parties that permitted us to exit from our unprofitable seating operations in Chesterfield, Michigan.
- The significant U.S. restructuring charges incurred in recent years, which are expected to have a favorable impact on our results going forward, as well as the expectation that U.S. restructuring charges will be substantially less in 2004.
- Anticipated future cost savings in the material, manufacturing and SG&A areas, as well as the favorable impact of net new business, the majority of which is based on firm, existing contracts supported by purchase orders.

In determining the amount of future taxable income, a number of additional assumptions are made, including the amount of U.S. and foreign pre-tax operating income, the time period over which our temporary differences will reverse, and the implementation of feasible and prudent tax planning strategies. While these assumptions require significant judgment, they are consistent with the plans and estimates we are using to manage the underlying business.

As more fully described in Note 5 to our consolidated financial statements, at December 31, 2003, Visteon's consolidated balance sheet reflects a net deferred tax asset of \$860 million, which includes a valuation allowance of \$530 million. During 2003, we established an additional valuation allowance of \$509 million against our deferred tax assets, of which \$472 million was recorded through income tax expense (\$468 million as a special charge in the fourth quarter) and \$37 million was recorded through other comprehensive income. Of the total valuation allowance of \$530 million at December 31, 2003, \$305 million relates to net operating losses and other deferred tax assets in certain foreign jurisdictions, including amounts for foreign affiliates that are treated as pass-through entities for U.S. tax purposes, and \$225 million relates to a portion of our U.S. deferred tax assets, where recovery of the carryforwards or assets is unlikely.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND**

**RESULTS OF OPERATIONS — (Continued)**

We believe that we are more likely than not to recover our remaining net deferred tax asset of \$860 million at December 31, 2003, through reductions in our tax liabilities in future periods. However, recovery is dependent on achieving our forecast of future taxable income. We will review our forecast in relation to actual results and expected trends on an ongoing basis. Failure to achieve our business plan targets, particularly in the U.S., may change our assessment regarding the recoverability of our net deferred tax asset and would likely result in an increase in the valuation allowance in the applicable period. Any increase in the valuation allowance would result in additional income tax expense, reduce stockholders' equity and could have a significant impact on our earnings going forward. Further, changes to statutory tax rates, particularly in the U.S., could also affect the level of our deferred tax assets. We intend to maintain an appropriate valuation allowance against our deferred tax assets until sufficient positive evidence exists to reduce or eliminate it.

*Revenue Recognition*

Sales are recognized when there is evidence of a sales agreement, the delivery of goods has occurred, the sales price is fixed or determinable and collectibility is reasonably assured, generally upon shipment of product to customers and transfer of title under standard commercial terms. Significant retroactive price adjustments are estimated by management based upon an assessment of the ultimate outcome of customer negotiations and are recognized in the period when such amounts become probable. Sales are recognized based on the gross amount billed to a customer for those products in which Visteon's customer has directed the sourcing of certain raw materials or components used in the manufacture of the final product.

*Product Recalls*

Product recall accruals are made related to our potential financial participation in our customers' actions to provide remedies related primarily to safety concerns as a result of actual or threatened regulatory or court actions. Our reserves for product recalls include the expected costs to be incurred by Visteon related to these actions. As part of our spin-off from Ford, Visteon and Ford agreed on a division of liabilities including liabilities related to product recalls. Visteon and Ford agreed on a division of responsibility for recall matters as follows: (a) Ford will retain liability for all recall claims that involve parts made or sold by Visteon for 1996 or earlier model year Ford vehicles, (b) Visteon is liable for all recall claims that involve parts made or sold by Visteon for 1997 or later model year Ford vehicles in accordance with Ford's global standard purchase order terms as applied to other Tier 1 suppliers, and (c) Visteon has assumed all responsibility for recall claims relating to parts made or sold by Visteon to any non-Ford customers. Visteon accrues for recall claims for products sold based on management estimates, with support from our sales, engineering, quality and legal activities, of the amount that eventually will be required to settle such claims. This accrual, which is reviewed in detail on a regular basis, is based on several factors, including the terms of Visteon's master transfer agreement with Ford, past experience, current claims, industry developments and various other considerations.

**New Accounting Standards and Accounting Changes**

Starting January 1, 2003, Visteon began expensing the fair value of stock-based awards granted to employees pursuant to SFAS 123. This standard was adopted on a prospective method basis for stock-based awards granted, modified or settled after December 31, 2002, and resulted in additional compensation expense of about \$4 million in 2003.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND**

**RESULTS OF OPERATIONS — (Continued)**

In December 2003, the FASB issued revised Interpretation No. 46 ("FIN 46") "Consolidation of Variable Interest Entities." Until this interpretation, a company generally included another entity in its consolidated financial statements only if it controlled the entity through voting interests. FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns. Application of FIN 46 is required during the fourth quarter of 2003 for interests in structures that are commonly referred to as special-purpose entities; immediately for all new entities created after February 1, 2003; and for all other types of variable interest entities in the first quarter of 2004. The effect of applying the initial consolidation provisions of FIN 46 on Visteon's results of operations or financial position as of December 31, 2003 was not significant. We do not expect the application of the remaining consolidation provisions of FIN 46, as required in the first quarter of 2004, will have a material effect on Visteon's results of operations or financial position.

In April 2003, the FASB issued Statement of Financial Accounting Standards No. 149 ("SFAS 149"), "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 149 is effective for contracts entered into or modified after June 30, 2003. We currently have no contracts that fall within the guidelines of the new requirements and, as such, there was no effect of adopting SFAS 149 on Visteon's results of operations or financial position.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150 ("SFAS 150"), "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and the first interim period beginning after June 15, 2003. We currently have no financial instruments that fall within the guidelines of the new requirements and, as such, there was no effect of adopting SFAS 150 on Visteon's results of operations or financial position.

In December 2003, the FASB issued Statement of Financial Accounting Standards No. 132 (revised 2003) ("SFAS 132-R"), "Employers' Disclosures about Pensions and Other Postretirement Benefits." This revised statement expands financial statement disclosures for defined benefit plans related to plan assets, investment policies, future benefit payments and plan contributions. Certain requirements of SFAS 132-R are effective for the year ended December 31, 2003, with additional requirements during 2004.

**Cautionary Statement regarding Forward-Looking Information**

This report contains forward-looking statements made pursuant to the Private Securities Litigation Reform Act of 1995. Words such as "anticipate," "expect," "intend," "plan," "believe," "seek" and "estimate" signify forward-looking statements. Visteon's forward-looking statements are not guarantees of future results and conditions. Important factors, risks and uncertainties that may cause actual results to differ from those expressed in Visteon's forward-looking statements include, but are not limited to, the following:

- Visteon's dependence on Ford.
- Visteon's ability to satisfy its pension and other post-employment benefit obligations, and to retire outstanding debt and satisfy other contractual commitments, all at the levels and times planned by management.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND**

**RESULTS OF OPERATIONS — (Continued)**

- Changes in vehicle production volume in markets where we operate, and in particular changes in Ford's North American vehicle production volume.
- Changes in the operations (including products, product planning and part sourcing), financial condition, results of operations or market share of Visteon's customers, particularly its largest customer, Ford, which is undergoing a comprehensive "revitalization plan."
- Visteon's ability to increase sales to customers other than Ford and to maintain current business with, and to provide competitive quotes and win future business from, Ford.
- 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, to maintain and improve its operating performance; to recover engineering and tooling costs; to streamline and focus its product portfolio; to sustain technological competitiveness; to compete favorably with automotive parts suppliers with lower cost structures and greater ability to rationalize operations; to achieve the benefits of its restructuring activities; and to exit non-performing businesses on satisfactory terms, particularly due to limited flexibility under existing labor agreements.
- Visteon's ability to satisfy its future capital and liquidity requirements; Visteon's ability to access the credit and capital markets, which depends in large part on Visteon's credit ratings (which have declined in the past and could decline further in the future); and Visteon's ability to comply with financial covenants applicable to it.
- Visteon's ability to recover its remaining net deferred tax asset through reductions in its tax liabilities in future periods.
- Visteon's ability to reduce its cost structure by, among other things, negotiating a supplement to a new Visteon-UAW collective bargaining agreement that would provide for lower wages and less-expensive benefits for future Visteon hourly workers that are more in line with what competitors pay.
- Restrictions in labor contracts with unions, and with the UAW in particular, that significantly 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.
- 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 realize sales and profits from its book of business.
- Legal and administrative proceedings, investigations and claims, including product liability, warranty, 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.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND**

**RESULTS OF OPERATIONS — (Continued)**

- Shortages of materials or interruptions in transportation systems, labor strikes, work stoppages or other interruptions to or difficulties in the employment of labor in the major markets where Visteon purchases materials, components or supplies to manufacture its products or where its products are manufactured, distributed or sold.
- Changes in laws, regulations, policies or other activities of governments, agencies and similar organizations, domestic and foreign, that may tax or otherwise increase the cost of, or otherwise affect, the manufacture, licensing, distribution, sale, ownership or use of Visteon's products or assets.
- Possible terrorist attacks or acts of war, which could exacerbate other risks such as slowed vehicle production, interruptions in the transportation system, or fuel prices and supply.
- The cyclical and seasonal nature of the automotive industry.
- Conflicts of interest in negotiating with Ford due to the relationships of Visteon's executives with Ford and Ford executives and their ownership of Ford securities.
- Visteon's ability to comply with environmental, safety and other regulations applicable to it and any increase in the requirements, responsibilities and associated expenses and expenditures of these regulations.
- Visteon's ability to protect its intellectual property rights, and to respond to changes in technology and technological risks and to claims by others that Visteon infringes their intellectual property rights.
- Delays in completing Visteon's transition to an information technology environment that is separate from Ford's environment and to a new facility for the majority of its central executive, administrative and engineering functions.
- Other factors, risks and uncertainties detailed from time to time in Visteon's Securities and Exchange Commission filings.

These risks and uncertainties are not the only ones facing our company. Additional risks and uncertainties not presently known to Visteon or currently believed to be immaterial also may adversely affect Visteon. Any risks and uncertainties that develop into actual events could have material adverse effects on Visteon's business, financial condition and results of operations. For these reasons, do not place undue reliance on our forward-looking statements. Visteon does not intend or assume any obligation to update any of these forward-looking statements.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Visteon is exposed to market risks from changes in currency exchange rates, interest rates and certain commodity prices. To manage these risks, we use a combination of fixed price contracts with suppliers, cost sourcing arrangements with customers and financial derivatives. We maintain risk management controls to monitor the risks and the related hedging. Derivative positions are examined using analytical techniques such as market value and sensitivity analysis. Derivative instruments are not used for speculative purposes, as per clearly defined risk management policies.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK — (Continued)**

*Foreign Currency Risk*

Our net cash inflows and outflows exposed to the risk of changes in exchange rates arise from the sale of products in countries other than the manufacturing source, foreign currency denominated supplier payments, debt and other payables, subsidiary dividends and investments in subsidiaries. Our on-going solution is to reduce the exposure through operating actions. We use foreign exchange forward contracts to manage a portion of our exposure.

Our primary foreign exchange exposure includes the Mexican peso, euro, Canadian dollar and Czech koruna. Because of the mix between our costs and our revenues in various regions, we are exposed generally to weakening of the euro and to strengthening of the Mexican peso, Canadian dollar and Czech koruna. For transactions in these currencies, we utilize a strategy of partial coverage. As of December 31, 2003, our coverage for projected transactions in these currencies was about 50% for 2004.

As of December 31, 2003 and 2002, the net fair value of financial instruments with exposure to currency risk were liabilities of \$10 million and \$36 million, respectively. The hypothetical pre-tax gain or loss in fair value from a 10% favorable or adverse change in quoted currency exchange rates would be approximately \$81 million and \$86 million as of December 31, 2003 and 2002, 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 loans to 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 our financial derivatives. It is important to note that gains and losses indicated in the sensitivity analysis would be offset by gains and losses on the underlying exposures being hedged.

*Interest Rate Risk*

As of December 31, 2003 and 2002, the net fair value of interest rate swaps was an asset of \$15 million and \$39 million, respectively. The potential loss in fair value of these swaps from a hypothetical 50 basis point adverse change in interest rates would be approximately \$10 million and \$16 million as of December 31, 2003 and 2002, respectively. The annual increase in pre-tax interest expense from a hypothetical 50 basis point adverse change in variable interest rates (including the impact of interest rate swaps) would be approximately \$5 million and \$6 million as of December 31, 2003 and 2002, respectively. This analysis may overstate the adverse impact on net interest expense because of the short-term nature of our interest bearing investments.

*Commodity Risk*

We have entered into long-term agreements with some of our key suppliers of non-ferrous metals to protect Visteon from changes in market prices. In addition, some products Visteon manufactures and sells to Ford containing non-ferrous metals are price-adjusted monthly based on metal content and market price. During the third quarter 2003, Visteon initiated the use of financial instruments to lock in pricing of its forward year copper purchases. As of December 31, 2003, the net fair value of copper derivatives was an asset of \$2 million, and the potential loss in fair value from a 10% adverse change in quoted prices would be \$2 million.

Precious metals (for catalytic converter production) are purchased through a Ford-directed source; Ford accepts all market price risk. As a result, we presently do not enter into financial derivatives to hedge these potential exposures.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK — (Continued)**

Natural gas is a commodity Visteon uses in its manufacturing processing, related primarily to glass production, as well as for heating our facilities. Uncertainty in both supply and demand for this commodity has led to price instability over the last three years. As of December 31, 2003, Visteon has locked in pricing on about 65% of its projected usage for 2004, through financial derivatives. As of December 31, 2003 and 2002, the net fair value of natural gas derivatives was an asset of \$9 million and \$7 million, respectively. The potential loss in fair value of these derivative contracts from a 10% adverse change in quoted prices would be approximately \$5 million and less than \$4 million at December 31, 2003 and 2002, respectively.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

Our consolidated financial statements, the accompanying notes and the report of independent auditors that are filed as part of this Report are listed under Item 15, “Exhibits, Financial Statement Schedules, and Reports on Form 8-K,” and are set forth on pages 45 through 90 of this Annual Report on Form 10-K.

Selected quarterly financial data for us and our consolidated subsidiaries for 2003 and 2002 are presented in Note 18 of our consolidated financial statements on page 90 of this Annual Report on Form 10-K.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of Visteon’s Disclosure Committee and management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon, and as of the date of, this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in Visteon’s periodic SEC reports is recorded, processed, summarized and reported as and when required. Except as otherwise discussed herein, there have been no changes in Visteon’s internal control over financial reporting during the most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, Visteon’s internal control over financial reporting.

As discussed previously under “Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations,” we have entered into a global IT outsourcing arrangement with IBM, which provides for, among other things, the transition of Visteon applications from Ford’s IT systems, upon which we have relied since our spin-off. In October 2003, we successfully completed the first major migration of applications from Ford’s IT systems, including selected financial reporting applications. The second major phase of this transition has begun, with the migration of all remaining applications from Ford’s IT systems expected to be substantially completed in 2004. This transition may affect Visteon’s existing business processes including Visteon’s internal control over financial reporting. As this transition continues it will be monitored and evaluated with regard to Visteon’s ability to process, record, summarize and report financial information.

**ITEM 9A. CONTROLS AND PROCEDURES — (Continued)**

Certain of Visteon's applications now reside within IBM's data centers and are run by IBM. IBM has contracted with an independent third party to perform a review ("SAS 70 Type II") of the control environment at its data centers, including physical security and environmental control; organization and administration; logical access controls; computer operations; and problem and change management. This review is available to the clients of IBM's data centers in the normal course of business, for their reliance with respect to these controls. However, IBM and its independent reviewer are not able to make available this SAS 70 report to Visteon for 2003, because our applications did not commence operating within this environment until October. IBM has confirmed to Visteon that it has maintained the security controls as previously maintained, and Visteon has observed the physical security and environmental controls of the primary data center location.

**PART III**

**ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF VISTEON**

Except as set forth herein, the information required by Item 10 regarding our directors is incorporated by reference from the information under the captions “Item 1. Election of Directors,” “Corporate Governance — Committees” and “Section 16(a) Beneficial Ownership Reporting Compliance” in our 2004 Proxy Statement. The information required by Item 10 regarding our executive officers appears as Item 4A under Part I of this Annual Report on Form 10-K.

Visteon has adopted a code of ethics, as such phrase is defined in Item 406 of Regulation S-K, that applies to all directors, officers and employees of Visteon and its subsidiaries, including the Chairman and Chief Executive Officer, the Executive Vice President and Chief Financial Officer and the Vice President and Chief Accounting Officer. The code, entitled “A Pledge of Integrity,” is available on our website at [www.visteon.com](http://www.visteon.com) and has been filed as an exhibit hereto.

**ITEM 11. EXECUTIVE COMPENSATION**

The information required by Item 11 is incorporated by reference from the information under the captions “Item 1. Election of Directors,” “Organization and Compensation Committee Report on Executive Compensation,” “Executive Compensation” and “Stock Performance Graph” in our 2004 Proxy Statement.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by Item 12 is incorporated by reference from the information under the caption “Stockholdings” and “Item 3. Amendment to 2000 Incentive Plan” in our 2004 Proxy Statement.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The information required by Item 13 is incorporated by reference from the information under the caption “Corporate Governance — Related Party Transactions” in our 2004 Proxy Statement.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by Item 14 is incorporated by reference from the information under the caption “Audit Committee Report” in our 2004 Proxy Statement.

## PART IV

## ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

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Visteon filed the following Current Reports on Form 8-K during the quarter ended December 31, 2003:

Current Report on Form 8-K dated October 14, 2003, relating to the payment of a cash dividend.

Current Report on Form 8-K dated October 17, 2003, relating to Visteon's third quarter 2002 financial results.

Current Report on Form 8-K dated November 18, 2003, relating to an officer appointment.

Current Report on Form 8-K dated November 26, 2003, relating to a previously announced officer appointment.

Current Report on Form 8-K dated December 22, 2003, relating to new commercial agreements with Ford Motor Company.



**REPORT OF INDEPENDENT AUDITORS**

To the Board of Directors and Stockholders

Visteon Corporation

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) on page 43 present fairly, in all material respects, the financial position of Visteon Corporation and its subsidiaries at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 14 to the consolidated financial statements, the Company changed its method of accounting for goodwill resulting from its adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," effective January 1, 2002.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Detroit, Michigan  
January 22, 2004

## VISTEON CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF OPERATIONS

|  | For the Years Ended<br>December 31,        |           |           |
|--|--|-----------|-----------|
|  | 2003                                       | 2002      | 2001      |
|  | (in millions, except<br>per share amounts) |           |           |
| <b>Sales (Notes 2 and 11)</b>  |  |           |           |
| Ford and affiliates  | \$ 13,475                                  | \$ 14,779 | \$ 14,656 |
| Other customers  | 4,185                                      | 3,616     | 3,187     |
| Total sales  | 17,660                                     | 18,395    | 17,843    |
| <b>Costs and expenses (Notes 2, 11 and 13)</b>                                     |  |           |           |
| Costs of sales   | 17,786                                     | 17,588    | 17,105    |
| Selling, administrative and other expenses   | 1,002                                      | 888       | 855       |
| Total costs and expenses   | 18,788                                     | 18,476    | 17,960    |
| <b>Operating (loss)</b>  | (1,128)                                    | (81)      | (117)     |
| Interest income  | 17   | 23        | 55        |
| Interest expense   | 94   | 103       | 131       |
| Net interest expense   | (77)                                       | (80)      | (76)      |
| Equity in net income of affiliated companies (Note 2)                              | 55   | 44        | 24        |
| <b>(Loss) before income taxes, minority interests and<br/>change in accounting</b> | (1,150)                                    | (117)     | (169)     |
| Provision (benefit) for income taxes (Note 5)                                      | 34   | (58)      | (72)      |
| <b>(Loss) before minority interests and change in accounting</b>                   | (1,184)                                    | (59)      | (97)      |
| Minority interests in net income of subsidiaries                                   | 29   | 28        | 21        |
| <b>(Loss) before change in accounting</b>  | (1,213)                                    | (87)      | (118)     |
| Cumulative effect of change in accounting, net of tax (Note 14)                    | —  | (265)     | —         |
| <b>Net (loss)</b>  | \$ (1,213)                                 | \$ (352)  | \$ (118)  |
| <b>Basic and diluted loss per share (Note 2)</b>                                   |  |           |           |
| Before cumulative effect of change in accounting                                   | \$ (9.65)                                  | \$ (0.68) | \$ (0.91) |
| Cumulative effect of change in accounting  | —  | (2.07)    | —         |
| Basic and diluted  | \$ (9.65)                                  | \$ (2.75) | \$ (0.91) |
| <b>Cash dividends per share</b>  | \$ 0.24                                    | \$ 0.24   | \$ 0.24   |

The accompanying notes are part of the financial statements.

## VISTEON CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET

|  | December 31,     |                  |
|--|------------------|------------------|
|  | 2003             | 2002             |
|  | (in millions)    |                  |
| <b>Assets</b>  |                  |                  |
| Cash and cash equivalents  | \$ 953           | \$ 1,204         |
| Marketable securities  | 3                | 74               |
|  | -----            | -----            |
| Total cash and marketable securities   | 956              | 1,278            |
| Accounts receivable – Ford and affiliates  | 1,198            | 1,401            |
| Accounts receivable – other customers  | 1,164            | 828              |
|  | -----            | -----            |
| Total receivables, net (Notes 2 and 4)   | 2,362            | 2,229            |
| Inventories (Note 3)   | 761              | 878              |
| Deferred income taxes  | 163              | 199              |
| Prepaid expenses and other current assets  | 168              | 153              |
|  | -----            | -----            |
| Total current assets   | 4,410            | 4,737            |
| Equity in net assets of affiliated companies   | 215              | 191              |
| Net property (Note 4)  | 5,369            | 5,443            |
| Deferred income taxes  | 700              | 566              |
| Other assets   | 270              | 233              |
|  | -----            | -----            |
| <b>Total assets</b>  | <b>\$ 10,964</b> | <b>\$ 11,170</b> |
|  | -----            | -----            |
| <b>Liabilities and Stockholders' Equity</b>  |                  |                  |
| Trade payables   | \$ 2,270         | \$ 2,038         |
| Accrued liabilities (Note 6)   | 924              | 1,021            |
| Income taxes payable   | 27               | 14               |
| Debt payable within one year (Note 8)  | 351              | 393              |
|  | -----            | -----            |
| Total current liabilities  | 3,572            | 3,466            |
| Long-term debt (Note 8)  | 1,467            | 1,298            |
| Postretirement benefits other than pensions (Note 7)   | 469              | 409              |
| Postretirement benefits payable to Ford (Note 7)   | 2,090            | 1,874            |
| Other liabilities (Note 6)   | 1,508            | 1,145            |
|  | -----            | -----            |
| Total liabilities  | 9,106            | 8,192            |
| <b>Stockholders' equity</b>  |                  |                  |
| Capital stock (Note 9)   |                  |                  |
| Preferred stock, par value \$1.00, 50 million shares authorized, none outstanding  | —                | —                |
| Common stock, par value \$1.00, 500 million shares authorized, 131 million shares issued, 129 million and 130 million shares outstanding, respectively | 131              | 131              |
| Capital in excess of par value of stock  | 3,288            | 3,298            |
| Accumulated other comprehensive (loss)   | (21)             | (140)            |
| Other  | (19)             | (33)             |
| Accumulated deficit  | (1,521)          | (278)            |
|  | -----            | -----            |
| Total stockholders' equity   | 1,858            | 2,978            |
|  | -----            | -----            |
| <b>Total liabilities and stockholders' equity</b>  | <b>\$ 10,964</b> | <b>\$ 11,170</b> |
|  | -----            | -----            |

The accompanying notes are part of the financial statements.

## VISTEON CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS

|   | For the Years Ended<br>December 31, |                 |                 |
|---|-------------------------------------|-----------------|-----------------|
|   | 2003                                | 2002            | 2001            |
|   |                                     | (in millions)   |                 |
| <b>Cash and cash equivalents at January 1</b>         | \$ 1,204                            | \$ 1,024        | \$ 1,412        |
| Cash flows provided by operating activities (Note 15) | 370                                 | 1,101           | 436             |
| Cash flows from investing activities                  |                                     |                 |                 |
| Capital expenditures                                  | (879)                               | (723)           | (752)           |
| Acquisitions and investments in joint ventures, net   | (4)                                 | —               | (7)             |
| Purchases of securities                               | (48)                                | (508)           | (346)           |
| Sales and maturities of securities                    | 118                                 | 588             | 260             |
| Other   | 25                                  | 36              | 102             |
| Net cash used in investing activities                 | (788)                               | (607)           | (743)           |
| Cash flows from financing activities                  |                                     |                 |                 |
| Commercial paper (repayments) issuances, net          | (85)                                | (194)           | 8               |
| Other short-term debt, net                            | 55                                  | 45              | —               |
| Proceeds from issuance of other debt                  | 238                                 | 115             | 114             |
| Principal payments on other debt                      | (121)                               | (245)           | (144)           |
| Purchase of treasury stock                            | (5)                                 | (24)            | (25)            |
| Cash dividends  | (31)                                | (31)            | (31)            |
| Other, including book overdrafts                      | 77                                  | (4)             | 3               |
| Net cash provided by (used in) financing activities   | 128                                 | (338)           | (75)            |
| Effect of exchange rate changes on cash               | 39                                  | 24              | (6)             |
| Net (decrease) increase in cash and cash equivalents  | (251)                               | 180             | (388)           |
| <b>Cash and cash equivalents at December 31</b>       | <b>\$ 953</b>                       | <b>\$ 1,204</b> | <b>\$ 1,024</b> |

The accompanying notes are part of the financial statements.

**VISTEON CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**

|   | Common Stock |        | Capital<br>In<br>Excess<br>of Par<br>Value | Earnings<br>Retained<br>for Use in<br>Business<br>(Accumulated<br>Deficit) | Accumulated<br>Other<br>Comprehensive<br>Loss | Other             |                                   | Total    |
|---|--------------|--------|--|--|---|-------------------|-----------------------------------|----------|
|   | Shares       | Amount |  |  |   | Treasury<br>Stock | Unearned<br>Stock<br>Compensation |          |
| (in millions)   |              |        |  |  |   |                   |                                   |          |
| <b>Year Ended December 31, 2001</b>                                   |              |        |  |  |   |                   |                                   |          |
| Beginning balance   | 131          | \$ 131 | \$ 3,311                                   | \$ 254   | \$ (179)                                      | \$ —              | \$ (12)                           | \$ 3,505 |
| Comprehensive income (loss)   |              |        |  |  |   |                   |                                   |          |
| Net (loss)  |              |        |  | (118)  |   |                   |                                   | (118)    |
| Foreign currency translation  |              |        |  |  | (53)  |                   |                                   | (53)     |
| Realized and unrealized gains/losses on derivatives, net of tax       |              |        |  |  | 5   |                   |                                   | 5        |
| Change in unrealized loss on marketable securities, net of tax        |              |        |  |  | (2)   |                   |                                   | (2)      |
| Minimum pension liability, net of tax                                 |              |        |  |  | (2)   |                   |                                   | (2)      |
| Comprehensive (loss)  |              |        |  |  |   |                   |                                   | (170)    |
| Purchase of treasury stock  |              |        |  |  |   | (25)              |                                   | (25)     |
| Deferred stock-based compensation                                     |              |        |  |  |   | 13                | (13)                              | —        |
| Amortization and adjustment of deferred stock-based compensation, net |              |        |  |  |   |                   | 9                                 | 9        |
| Exercise of common stock options                                      |              |        |  |  |   | 3                 |                                   | 3        |
| Cash dividends  |              |        |  | (31)   |   |                   |                                   | (31)     |
| Ending balance  | 131          | \$ 131 | \$ 3,311                                   | \$ 105   | \$ (231)                                      | \$ (9)            | \$ (16)                           | \$ 3,291 |
| <b>Year Ended December 31, 2002</b>                                   |              |        |  |  |   |                   |                                   |          |
| Beginning balance   | 131          | \$ 131 | \$ 3,311                                   | \$ 105   | \$ (231)                                      | \$ (9)            | \$ (16)                           | \$ 3,291 |
| Comprehensive income (loss)   |              |        |  |  |   |                   |                                   |          |
| Net (loss)  |              |        |  | (352)  |   |                   |                                   | (352)    |
| Foreign currency translation  |              |        |  |  | 170   |                   |                                   | 170      |
| Realized and unrealized gains/losses on derivatives, net of tax       |              |        |  |  | (13)  |                   |                                   | (13)     |
| Change in unrealized loss on marketable securities, net of tax        |              |        |  |  | 1   |                   |                                   | 1        |
| Minimum pension liability, net of tax                                 |              |        |  |  | (67)  |                   |                                   | (67)     |
| Comprehensive (loss)  |              |        |  |  |   |                   |                                   | (261)    |
| Purchase of treasury stock  |              |        |  |  |   | (24)              |                                   | (24)     |
| Deferred stock-based compensation                                     |              |        |  |  |   | 16                | (16)                              | —        |
| Amortization and adjustment of deferred stock-based compensation, net |              |        | (13)                                       |  |   | (1)               | 17                                | 3        |
| Cash dividends  |              |        |  | (31)   |   |                   |                                   | (31)     |
| Ending balance  | 131          | \$ 131 | \$ 3,298                                   | \$ (278)   | \$ (140)                                      | \$ (18)           | \$ (15)                           | \$ 2,978 |
| <b>Year Ended December 31, 2003</b>                                   |              |        |  |  |   |                   |                                   |          |
| Beginning balance   | 131          | \$ 131 | \$ 3,298                                   | \$ (278)   | \$ (140)                                      | \$ (18)           | \$ (15)                           | \$ 2,978 |
| Comprehensive income (loss)   |              |        |  |  |   |                   |                                   |          |
| Net (loss)  |              |        |  | (1,213)  |   |                   |                                   | (1,213)  |
| Foreign currency translation  |              |        |  |  | 192   |                   |                                   | 192      |
| Realized and unrealized gains/losses on derivatives, net of tax       |              |        |  |  | 16  |                   |                                   | 16       |
| Minimum pension liability   |              |        |  |  | (89)  |                   |                                   | (89)     |
| Comprehensive (loss)  |              |        |  |  |   |                   |                                   | (1,094)  |
| Purchase of treasury stock  |              |        |  |  |   | (5)               |                                   | (5)      |
| Deferred stock-based compensation                                     |              |        | (4)  |  |   | 20                | (16)                              | —        |
| Amortization and adjustment of deferred stock-based compensation, net |              |        | (6)  |  |   | 2                 | 13                                | 9        |
| Cash dividends  |              |        |  | (30)   |   |                   |                                   | (30)     |
| Ending balance  | 131          | \$ 131 | \$ 3,288                                   | \$ (1,521)   | \$ (21)                                       | \$ (1)            | \$ (18)                           | \$ 1,858 |

The accompanying notes are part of the financial statements.

VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

**NOTE 1. Background and Basis of Presentation**

Visteon Corporation (“Visteon”) is a leading global supplier of automotive systems, modules and components. Visteon sells products primarily to global vehicle manufacturers, and also sells to the worldwide aftermarket for replacement and vehicle appearance enhancement parts. Visteon became an independent company when Ford Motor Company (“Ford”) established Visteon as a wholly-owned subsidiary in January 2000 and subsequently transferred to Visteon the assets and liabilities comprising Ford’s automotive components and systems business. Ford completed its spin-off of Visteon on June 28, 2000 (the “spin-off”). Prior to incorporation, Visteon operated as Ford’s automotive components and systems business.

Visteon and Ford have entered into a series of agreements outlining the business relationship between the two companies following the spin-off which are further discussed in Note 11 of our consolidated financial statements.

Use of estimates and assumptions as determined by management are required in the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates and assumptions. Certain amounts for prior periods were reclassified to conform with present period presentation.

**NOTE 2. Accounting Policies**

*Principles of Consolidation*

The consolidated financial statements include the accounts of Visteon and its majority-owned subsidiaries. Intra-Visteon transactions have been eliminated in consolidation. Companies that are 20% to 50% owned by Visteon are accounted for on an equity basis.

*Variable Interest Entities*

In December 2003, the FASB issued revised Interpretation No. 46 (“FIN 46”) “Consolidation of Variable Interest Entities.” Until this interpretation, a company generally included another entity in its consolidated financial statements only if it controlled the entity through voting interests. FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity’s activities or entitled to receive a majority of the entity’s residual returns. Application of FIN 46 is required during the fourth quarter of 2003 for interests in structures that are commonly referred to as special-purpose entities; immediately for all new entities created after February 1, 2003; and for all other types of variable interest entities in the first quarter of 2004. The effect of applying the initial consolidation provisions of FIN 46 on Visteon’s results of operations or financial position as of December 31, 2003 was not significant. We do not expect the application of the remaining consolidation provisions of FIN 46, as required in the first quarter of 2004, will have a material effect on Visteon’s results of operations or financial position.

VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — (Continued)

**NOTE 2. Accounting Policies — (Continued)**

From June 30, 2002, a variable interest entity owned by an affiliate of a bank is included in Visteon's consolidated financial statements. This entity was established in early 2002 to build a leased facility for Visteon to centralize customer support functions, research and development and administrative operations. Construction of the facility is planned to be completed in 2004 at a cost of about \$250 million, with initial occupancy starting in mid-2004. The lease agreement requires Visteon to make lease payments after construction is substantially completed equal to all interest then due and payable by the variable interest entity under the related credit agreement. The lease term expires in 2017, at which time Visteon is required to either purchase the facility at a price equal to the sum of all borrowings under the related credit agreement, less certain proceeds and other amounts applied against the balance, or renew the lease upon the mutual agreement of Visteon and the lessor. Consolidation of this entity was based on an assessment that Visteon is subject to a majority of the risk of loss from the variable interest entity's activities and is entitled to receive a majority of the entity's residual returns. This assessment included consideration of the terms of the lease agreement, the amount of the owner's equity investment at risk and the source of the entity's debt financing through the delayed draw term loan arrangement provided for under Visteon's Credit Facilities discussed further in Note 8 of our consolidated financial statements. As of December 31, 2003, this entity has incurred about \$117 million in expenditures related to this facility.

*Revenue Recognition*

Sales are recognized when there is evidence of a sales agreement, the delivery of goods has occurred, the sales price is fixed or determinable and collectibility is reasonably assured, generally upon shipment of product to customers and transfer of title under standard commercial terms. Significant retroactive price adjustments are recognized in the period when such amounts become probable. Sales are recognized based on the gross amount billed to a customer for those products in which Visteon's customer has directed the sourcing of certain raw materials or components used in the manufacture of the final product.

*Guarantees and Product Warranty*

In November 2002, the FASB issued Interpretation No. 45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN 45 clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value, or market value, of the obligations it assumes under that guarantee. The initial recognition and initial measurement provisions apply on a prospective basis to guarantees issued or modified after December 31, 2002. As of December 31, 2003, the effect of adopting FIN 45 on Visteon's results of operations and financial position was not material.

## VISTEON CORPORATION AND SUBSIDIARIES

## NOTES TO FINANCIAL STATEMENTS — (Continued)

## NOTE 2. Accounting Policies — (Continued)

Visteon accrues for warranty obligations for products sold based on management estimates, with support from our sales, engineering, quality and legal activities, of the amount that eventually will be required to settle such obligations. This accrual, which is reviewed in detail on a regular basis, is based on several factors, including contractual arrangements, past experience, current claims, production changes, industry developments and various other considerations. The following table presents a reconciliation of changes in the product warranty claims liability for the selected periods:

|   | 2003          | 2002         | 2001         |
|---|---------------|--------------|--------------|
|   | (in millions) |              |              |
| Beginning balance   | \$ 17         | \$ 20        | \$ 18        |
| Accruals for products shipped   | 25            | 16           | 18           |
| Accruals for pre-existing warranties (including changes in estimates) | (3)           | —            | 4            |
| Settlements   | (17)          | (19)         | (20)         |
| Ending balance  | <u>\$ 22</u>  | <u>\$ 17</u> | <u>\$ 20</u> |

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

*Product Recalls*

Visteon accrues for product recall claims related to potential financial participation in customers' actions to provide remedies related primarily to safety concerns as a result of actual or threatened regulatory or court actions. Visteon accrues for recall claims for products sold based on management estimates, with support from our sales, engineering, quality and legal activities, of the amount that eventually will be required to settle such claims. This accrual, which is reviewed in detail on a regular basis, is based on several factors, including contractual arrangements, past experience, current claims, industry developments and various other considerations.

*Other Costs*

Advertising and sales promotion costs are expensed as incurred. Advertising costs were \$15 million in 2003, \$17 million in 2002 and \$19 million in 2001.

Research and development costs are expensed as incurred and were \$903 million in 2003, \$902 million in 2002 and \$1,037 million in 2001.

Pre-production design and development costs that are non-reimbursable relating to long-term supply arrangements are expensed as incurred.

**VISTEON CORPORATION AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**

**NOTE 2. Accounting Policies — (Continued)***Related Party Transaction*

A member of Visteon's Board of Directors was the Chief Executive Officer of a supplier of contract staffing services to Visteon. Visteon's payments to this supplier were approximately \$81 million and \$115 million in 2003 and 2002, respectively. The supplier has indicated that it expects to recognize approximately \$13 million and \$20 million of these payments as revenue in 2003 and 2002, respectively, relating to services performed directly by the supplier. The remaining payments to this supplier are related to arrangements in which the supplier serves as a master vendor on the behalf of many other suppliers and are not expected to be recognized as revenue for such supplier. This individual ceased to be an employee or officer of this supplier in December 2003.

*Income (Loss) Per Share of Common Stock*

Basic income (loss) per share of common stock is calculated by dividing net income by the average number of shares of common stock outstanding during the applicable period, adjusted for restricted stock. The calculation of diluted income per share takes into account the effect of dilutive potential common stock, such as stock options, and contingently returnable shares, such as restricted stock. Basic and diluted income (loss) per share were calculated using the following numbers of shares:

|   | 2003                         | 2002  | 2001  |
|---|------------------------------|-------|-------|
|   | (average shares in millions) |       |       |
| Common shares outstanding                                 | 130.4                        | 130.3 | 130.7 |
| Less: Restricted stock outstanding                        | (4.6)                        | (2.6) | (1.4) |
| Basic shares  | 125.8                        | 127.7 | 129.3 |
| Net dilutive effect of restricted stock and stock options | —                            | —     | —     |
| Diluted shares  | 125.8                        | 127.7 | 129.3 |

For 2003, 2002 and 2001, potential common stock of about 1,020,000 shares, 606,000 shares and 343,000 shares, respectively, are excluded from the calculation of diluted income per share because the effect of including them would have been antidilutive.

*Derivative Financial Instruments*

Visteon has operations in every major region of the world and is exposed to a variety of market risks, including the effects of changes in foreign currency exchange rates, interest rates and commodity prices. These financial exposures are monitored and managed by Visteon as an integral part of the company's overall risk management program, which recognizes the unpredictability of financial markets and seeks to reduce the potentially adverse effect on Visteon's results. Visteon uses derivative financial instruments, including forward contracts, swaps and options, to manage the exposures in exchange rates, interest rates and commodity prices. All derivative financial instruments are classified as "held for purposes other than trading." Visteon policy specifically prohibits the use of leveraged derivatives or use of any derivatives for speculative purposes.

## VISTEON CORPORATION AND SUBSIDIARIES

## NOTES TO FINANCIAL STATEMENTS — (Continued)

**NOTE 2. Accounting Policies — (Continued)**

Visteon's primary foreign currency exposures, in terms of net corporate exposure, are in the Mexican peso, euro, Czech Koruna, and Canadian dollar. Visteon uses derivative instruments to hedge expected future cash flows in foreign currencies and firm commitments. Visteon has entered into interest rate swaps to manage its interest rate risk. As a result of these swaps, approximately 40% of Visteon's borrowings are on a fixed rate basis, with the balance on a variable rate basis, subject to changes in short-term interest rates. Visteon's primary commodity-price exposures are aluminum, copper and natural gas, which are managed through derivative financial instruments and fixed-price contracts with suppliers.

The criteria used to determine whether hedge accounting treatment is appropriate are the designation of the hedge to an underlying exposure, reduction of overall risk and correlation between the changes in the value of the derivative instrument and the underlying exposure. Gains and losses on cash flow hedges initially are reported as a component of other comprehensive income (outside earnings) and subsequently reclassified into earnings when the forecasted transaction affects earnings. Gains and losses on interest rate swaps (fair value hedges) are recorded in long-term debt (see Note 12 of our consolidated financial statements). All other derivative gains and losses are recognized in costs of sales. Except for interest rate swaps, these derivatives usually mature in two years or less, consistent with the underlying transactions. The effect of changes in exchange rates, interest rates and commodity prices may not be fully offset by gains or losses on currency derivatives, depending on the extent to which the exposures are hedged.

*Foreign Currency Translation*

Assets and liabilities of Visteon's non-U.S. businesses generally are translated to U.S. Dollars at end-of-period exchange rates. The effects of this translation for Visteon are reported in other comprehensive income. Remeasurement of assets and liabilities of Visteon's non-U.S. businesses that use the U.S. Dollar as their functional currency are included in income as transaction gains and losses. Income statement elements of Visteon's non-U.S. businesses are translated to U.S. Dollars at average-period exchange rates and are recognized as part of revenues, costs and expenses. Also included in income are gains and losses arising from transactions denominated in a currency other than the functional currency of the business involved. Net transaction gains and losses, as described above, decreased net income \$26 million and \$14 million in 2003 and 2002, respectively, and increased net income \$6 million in 2001. Total foreign currency translation adjustments as a component of accumulated other comprehensive income increased stockholders' equity by \$130 million at December 31, 2003, and reduced stockholders' equity \$62 million at December 31, 2002.

*Cash and Cash Equivalents*

Visteon considers all highly liquid investments purchased with a maturity of three months or less, including short-term time deposits and government agency and corporate obligations, to be cash equivalents.

*Marketable Securities*

Marketable securities are classified as available-for-sale. The fair value of substantially all securities is determined by quoted market prices. The estimated fair value of securities, for which there are no quoted market prices, is based on similar types of securities that are traded in the market. Book value approximates fair value for all securities.

**VISTEON CORPORATION AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**

**NOTE 2. Accounting Policies — (Continued)***Accounts Receivable*

The allowance for doubtful accounts was \$35 million and \$24 million at December 31, 2003 and 2002, respectively.

*Investments in Affiliates*

The following table presents summarized financial data for those affiliates accounted for under the equity method. The amounts represent 100% of the assets, liabilities, equity and results of operations of these affiliates. Visteon reports its share of their net assets and net income in the lines "Equity in net assets of affiliated companies" on the Consolidated Balance Sheet and "Equity in net income of affiliated companies" on the Consolidated Statement of Operations.

|   | December 31,  |               |        |
|---|---------------|---------------|--------|
|   | 2003          | 2002          |        |
|   | (in millions) |               |        |
| Current assets                                    | \$ 571        | \$ 361        |        |
| Other assets                                      | 345           | 320           |        |
| <b>Total assets</b>                               | <b>\$ 916</b> | <b>\$ 681</b> |        |
| Current liabilities                               | \$ 328        | \$ 217        |        |
| Other liabilities                                 | 85            | 91            |        |
| Stockholders' equity                              | 503           | 373           |        |
| <b>Total liabilities and stockholders' equity</b> | <b>\$ 916</b> | <b>\$ 681</b> |        |
|   | 2003          | 2002          | 2001   |
|   | (in millions) |               |        |
| Net sales   | \$ 1,462      | \$ 973        | \$ 747 |
| Gross profit                                      | 368           | 217           | 152    |
| Net income  | 111           | 93            | 63     |

*Capitalized Software Costs*

Significant costs incurred in the acquisition or development of software for internal use are capitalized. Costs incurred prior to the final selection of software and costs not qualifying for capitalization are charged to expense. Capitalized internal software costs include primarily external direct costs and payroll and payroll related costs. Capitalized software costs are amortized using the straight-line method over estimated useful lives generally ranging from 3 to 8 years. The net book value of capitalized software costs was about \$171 million at December 31, 2003. Related amortization expense was about \$39 million in 2003.

**VISTEON CORPORATION AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**

**NOTE 2. Accounting Policies — (Continued)**

*Impairment of Long-Lived Assets and Certain Identifiable Intangibles*

Visteon evaluates long-lived assets to be held and used and long-lived assets to be disposed of for potential impairment at the product line level whenever events or changes in business circumstances indicate that the carrying value of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate. Asset groupings at the product line level, rather than the operating segment level used in prior years, is considered the lowest level of identifiable cash flows which are largely independent as the recently completed Ford agreements contractually provide Visteon greater flexibility to make product level decisions, including decisions related to selling or exiting certain businesses. Visteon considers projected future undiscounted cash flows, trends and other circumstances in making such estimates and evaluations. While we believe that our estimates of future cash flows are reasonable, different assumptions regarding such factors as future automotive production volumes (primarily for Ford), selling price changes, labor cost changes, material cost changes, productivity and other cost savings and capital expenditures could significantly affect our evaluations. Asset impairment charges recorded during 2003 are discussed further in Note 13 of our consolidated financial statements.

*Goodwill*

Visteon adopted Financial Accounting Standards No. 142 (“SFAS 142”), “Goodwill and Other Intangible Assets,” effective January 1, 2002. SFAS 142 no longer permits amortization of goodwill and establishes a new method of testing goodwill for impairment by using a fair-value based approach. See Note 14 of our consolidated financial statements for further description related to this accounting change.

*Postemployment Benefits*

Visteon accounts for certain severance benefits to former or inactive employees after employment but before retirement when it is probable that a liability has been incurred, and the amount can be reasonably estimated.

## VISTEON CORPORATION AND SUBSIDIARIES

## NOTES TO FINANCIAL STATEMENTS — (Continued)

## NOTE 2. Accounting Policies — (Continued)

## Stock-Based Awards

Starting January 1, 2003, Visteon began expensing the fair value of stock-based awards granted to employees pursuant to Statement of Financial Accounting Standards No. 123 (“SFAS 123”), “Accounting for Stock-Based Compensation.” This standard was adopted on a prospective method basis for stock-based awards granted, modified or settled after December 31, 2002. For stock options and restricted stock awards granted prior to January 1, 2003, Visteon measures compensation cost using the intrinsic value method. If compensation cost for all stock-based awards had been determined based on the estimated fair value of stock options and the fair value set at the date of grant for restricted stock awards, in accordance with the provisions of SFAS 123, Visteon’s reported net (loss) and (loss) per share would have changed to the pro forma amounts indicated below:

|   | 2003                                    | 2002            | 2001            |
|---|---|-----------------|-----------------|
|   | (in millions, except per share amounts) |                 |                 |
| Net (loss), as reported   | \$ (1,213)                              | \$ (352)        | \$ (118)        |
| Add: Stock-based employee compensation expense included in reported net (loss), net of related tax effects                                  | 9                                       | 4               | 9               |
| Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects | (18)                                    | (15)            | (11)            |
| Pro forma net (loss)  | <u>\$ (1,222)</u>                       | <u>\$ (363)</u> | <u>\$ (120)</u> |
| (Loss) per share:   |   |                 |                 |
| Basic and diluted — as reported   | \$ (9.65)                               | \$ (2.75)       | \$ (0.91)       |
| Basic and diluted — pro forma   | \$ (9.71)                               | \$ (2.84)       | \$ (0.93)       |

The following is a summary of the fair values and assumptions used under a Black-Scholes option-pricing model for stock options granted in 2003, 2002 and 2001:

|  | 2003    | 2002    | 2001    |
|--|---------|---------|---------|
| <b>Fair Values</b>   |         |         |         |
| Average fair value of stock option granted in which the exercise price equaled the market price of the stock on the grant date       | \$ 6.62 | \$ 6.27 | \$ 6.83 |
| Average fair value of stock option granted in which the exercise price was less than the market price of the stock on the grant date | N/A     | N/A     | \$ 7.94 |
| <b>Weighted Average Assumptions</b>  |         |         |         |
| Risk-free interest rate  | 3.0%    | 4.8%    | 4.7%    |
| Expected life (years)  | 5.0     | 6.0     | 4.7     |
| Volatility   | 43.2%   | 51.6%   | 42.8%   |
| Dividend yield   | 1.9%    | 1.8%    | 1.4%    |

See Note 9 of our consolidated financial statements for further information related to stock-based awards.

**VISTEON CORPORATION AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**

**NOTE 3. Inventories**

|   | December 31,  |               |
|---|---------------|---------------|
|   | 2003          | 2002          |
|   | (in millions) |               |
| Raw materials, work-in-process and supplies | \$ 630        | \$ 743        |
| Finished products                           | 131           | 135           |
| <b>Total inventories</b>                    | <b>\$ 761</b> | <b>\$ 878</b> |
| U.S. inventories                            | \$ 436        | \$ 548        |

Inventories are stated at the lower of cost or market. The cost of most U.S. inventories is determined by the last-in, first-out (“LIFO”) method. The cost of the remaining inventories is determined primarily by the first-in, first-out (“FIFO”) method.

If the FIFO method had been used instead of the LIFO method, inventories would have been higher by \$98 million and \$78 million at December 31, 2003 and 2002, respectively.

**NOTE 4. Net Property, Depreciation and Amortization**

|  | December 31,    |                 |
|--|-----------------|-----------------|
|  | 2003            | 2002            |
|  | (in millions)   |                 |
| Land                                   | \$ 122          | \$ 125          |
| Buildings and land improvements        | 1,549           | 1,561           |
| Machinery, equipment and other         | 8,313           | 8,631           |
| Construction in progress               | 428             | 320             |
| <b>Total land, plant and equipment</b> | <b>10,412</b>   | <b>10,637</b>   |
| Accumulated depreciation               | (5,398)         | (5,527)         |
| <b>Net land, plant and equipment</b>   | <b>5,014</b>    | <b>5,110</b>    |
| Special tools, net of amortization     | 355             | 333             |
| <b>Net property</b>                    | <b>\$ 5,369</b> | <b>\$ 5,443</b> |

Property, equipment and special tools are depreciated principally using the straight-line method of depreciation over the estimated useful life of the asset. On average, buildings and land improvements are depreciated based on a 30-year life; machinery and equipment are depreciated based on a 14-year life. Special tools are amortized using the straight-line method over periods of time representing the estimated life of those tools, with the majority of tools amortized over five years.

Depreciation and amortization expenses, were as follows:

|                       | 2003          | 2002          | 2001          |
|-----------------------|---------------|---------------|---------------|
|                       |               | (in millions) |               |
| Depreciation          | \$ 572        | \$ 551        | \$ 562        |
| Amortization          | 102           | 80            | 81            |
| Goodwill amortization | —             | —             | 23            |
| <b>Total</b>          | <b>\$ 674</b> | <b>\$ 631</b> | <b>\$ 666</b> |

## VISTEON CORPORATION AND SUBSIDIARIES

## NOTES TO FINANCIAL STATEMENTS — (Continued)

**NOTE 4. Net Property, Depreciation and Amortization — (Continued)**

At December 31, 2003, Visteon had the following minimum rental commitments under non-cancelable operating leases (in millions): 2004 — \$53; 2005 — \$35; 2006 — \$29; 2007 — \$26; 2008 — \$19; thereafter — \$70. Rent expense was \$86 million in 2003, \$90 million in 2002 and \$106 million in 2001.

Maintenance, repairs and rearrangement costs are expensed as incurred. Expenditures that increase the value or productive capacity of assets are capitalized. Pre-production costs related to new facilities are expensed as incurred. Unbilled receivables related to tooling costs, which are not owned by Visteon and for which there is an agreement for contractual reimbursement, were about \$238 million and \$189 million at December 31, 2003 and 2002, respectively.

**NOTE 5. Income Taxes**

Income (loss) before income taxes, minority interests and change in accounting, excluding equity in net income of affiliated companies, was as follows:

|  | 2003              | 2002            | 2001            |
|--|-------------------|-----------------|-----------------|
|  |                   | (in millions)   |                 |
| U.S.   | \$ (1,170)        | \$ (115)        | \$ (343)        |
| Non-U.S.                                       | (35)              | (46)            | 150             |
| <b>Total income (loss) before income taxes</b> | <b>\$ (1,205)</b> | <b>\$ (161)</b> | <b>\$ (193)</b> |

The provision (benefit) for income taxes was calculated as follows:

|   | 2003         | 2002            | 2001           |
|---|--------------|-----------------|----------------|
|   |              | (in millions)   |                |
| <b>Current tax provision (benefit)</b>  |              |                 |                |
| U.S. federal                            | \$ —         | \$ (1)          | \$ (6)         |
| Non-U.S.                                | 89           | 76              | 77             |
| U.S. state and local                    | 1            | —               | —              |
| <b>Total current</b>                    | <b>90</b>    | <b>75</b>       | <b>71</b>      |
| <b>Deferred tax provision (benefit)</b> |              |                 |                |
| U.S. federal                            | (243)        | (57)            | (115)          |
| Non-U.S.                                | 208          | (72)            | (24)           |
| U.S. state and local                    | (21)         | (4)             | (4)            |
| <b>Total deferred</b>                   | <b>(56)</b>  | <b>(133)</b>    | <b>(143)</b>   |
| <b>Total provision (benefit)</b>        | <b>\$ 34</b> | <b>\$ (58)*</b> | <b>\$ (72)</b> |

\* Excludes effect of change in accounting.

**VISTEON CORPORATION AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**

**NOTE 5. Income Taxes — (Continued)**

A reconciliation of the provision (benefit) for income taxes compared with amounts at the U.S. statutory tax rate is shown below:

|   | 2003  | 2002   | 2001  |
|---|-------|--------|-------|
| Tax provision (benefit) at U.S. statutory rate of 35% | (35)% | (35)%  | (35)% |
| Effect of:  |       |        |       |
| Tax on non-U.S. income                                | —     | —      | —     |
| U.S. state and local income taxes                     | (2)   | (2)    | (2)   |
| U.S. general business credits                         | (1)   | (6)    | (6)   |
| Increase in valuation allowance                       | 39    | 13     | —     |
| Other   | 2     | (6)    | 6     |
| Provision (benefit) for income taxes                  | 3%    | (36)%* | (37)% |

\* Excludes effect of change in accounting.

Deferred taxes are provided for the net effect of repatriating earnings of non-U.S. subsidiaries. Deferred tax assets and liabilities reflect the estimated tax effect of accumulated temporary differences between assets and liabilities for financial reporting purposes and those amounts as measured by tax laws and regulations, as well as net operating loss, and tax credit and other carryforwards.

The components of deferred income tax assets and liabilities at December 31 were as follows:

|   | December 31,  |          |
|---|---------------|----------|
|   | 2003          | 2002     |
|   | (in millions) |          |
| Deferred tax assets                           |               |          |
| Employee benefit plans                        | \$ 1,181      | \$ 1,059 |
| Capitalized research and development expenses | 319           | 11       |
| Net operating losses and other carryforwards  | 437           | 434      |
| All other                                     | 375           | 182      |
| Subtotal                                      | 2,312         | 1,686    |
| Valuation allowance                           | (530)         | (21)     |
| Total deferred tax assets                     | 1,782         | 1,665    |
| Deferred tax liabilities                      |               |          |
| Depreciation and amortization                 | 590           | 707      |
| All other                                     | 332           | 196      |
| Total deferred tax liabilities                | 922           | 903      |
| Net deferred tax assets                       | \$ 860        | \$ 762   |

## VISTEON CORPORATION AND SUBSIDIARIES

## NOTES TO FINANCIAL STATEMENTS — (Continued)

**NOTE 5. Income Taxes — (Continued)**

On its 2002 U.S. federal income tax return, Visteon capitalized certain research and development expenses, which resulted in the utilization of substantially all of its U.S. net operating loss carryforwards at December 31, 2002. Visteon intends to capitalize additional research and development expenses on its 2003 U.S. federal income tax return, resulting in no incremental U.S. net operating loss at December 31, 2003. The anticipated tax benefit of non-U.S. net operating loss carryforwards is \$285 million at December 31, 2003. These losses have carryforward periods ranging from 5 years to indefinite. U.S. foreign tax credit carryforwards are \$81 million at December 31, 2003. These credits will begin to expire in 2006. U.S. general business credit and other carryforwards are \$71 million at December 31, 2003. These credits and other carryforwards will begin to expire in 2021.

During 2003, Visteon recorded an additional valuation allowance of \$509 million against its deferred tax assets, of which \$472 million was recorded through income tax expense (\$468 million as a special charge in the fourth quarter) and \$37 million was recorded through other comprehensive income. As of December 31, 2003, a valuation allowance totaling \$530 million has been recorded against Visteon's deferred tax assets. Of this amount, \$305 million relates to net operating loss carryforwards and other deferred tax assets in certain foreign jurisdictions, including amounts for foreign affiliates that are treated as pass-through entities for U.S. tax purposes, and \$225 million relates to a portion of Visteon's U.S. deferred tax assets, where recovery of the carryforwards or assets is unlikely.

The valuation allowance at December 31, 2003 was determined in accordance with the provisions of SFAS No. 109, "Accounting for Income Taxes," which requires an assessment of positive and negative evidence when measuring the need for a valuation allowance. Such assessment must be done on a jurisdiction-by-jurisdiction basis. In evaluating the recoverability of its deferred tax assets, Visteon considered all available positive and negative evidence, including past results, the existence of cumulative losses in recent years, and forecasted future taxable income. Visteon concluded that an increase to the valuation allowance against its deferred tax assets was required during 2003. The realization of the remaining net deferred tax asset at December 31, 2003, is dependent on future taxable income. Failure to achieve expected results in 2004 or beyond may require an increase in the valuation allowance against Visteon's deferred tax assets. Such an increase would result in additional income tax expense for the applicable period. Visteon intends to maintain an appropriate valuation allowance until sufficient positive evidence exists to reduce or eliminate it.

**NOTE 6. Liabilities***Current Liabilities*

Included in accrued liabilities at December 31 were the following:

|   | December 31,  |          |
|---|---------------|----------|
|   | 2003          | 2002     |
|   | (in millions) |          |
| Employee benefits, including pensions       | \$ 381        | \$ 384   |
| Salaries, wages and employer taxes          | 104           | 170      |
| Postretirement benefits other than pensions | 72            | 92       |
| Other                                       | 367           | 375      |
| Total accrued liabilities                   | \$ 924        | \$ 1,021 |

**VISTEON CORPORATION AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**

**NOTE 6. Liabilities — (Continued)***Noncurrent Liabilities*

Included in other noncurrent liabilities at December 31 were the following:

|  | December 31,    |                 |
|--|-----------------|-----------------|
|  | 2003            | 2002            |
|  | (in millions)   |                 |
| Employee benefits, including pensions            | \$ 668          | \$ 571          |
| Minority interests in net assets of subsidiaries | 156             | 129             |
| Deferred income taxes                            | 3               | 3               |
| Other  | 681             | 442             |
| <b>Total other liabilities</b>                   | <b>\$ 1,508</b> | <b>\$ 1,145</b> |

Other current and noncurrent liabilities include amounts related to product warranty, product recall and the exit from the North American seating operation, which is discussed further in Note 13 of our consolidated financial statements.

**NOTE 7. Employee Retirement Benefits***Employee Retirement Plans*

In the U.S., Visteon hourly employees represented by the UAW and other collective bargaining groups earn noncontributory benefits based on employee service. Visteon U.S. salaried employees earn similar noncontributory benefits as well as contributory benefits related to pay and service. In accordance with the separation agreements, Ford retained the past service obligations for those transferred salaried employees who were eligible to retire in 2000 as well as those whose combined age and years of service was at least 60 at the date of the separation from Ford. For all other transferred salaried employees, Visteon assumed the pension obligations as well as assets with a fair value at least equal to the related projected benefit obligation at the date of the separation from Ford but no less than the amount required to be transferred under applicable laws and regulations. Certain of the non-U.S. subsidiaries sponsor separate plans that provide similar types of benefits to their employees. For these non-U.S. plans, Visteon has assumed all plan benefit obligations for Visteon employees as well as assets that approximated the benefit obligations for funded plans at the separation date.

In general, Visteon's plans are funded with the exception of certain supplemental benefit plans for executives and a plan in Germany. Visteon's policy for funded plans is to contribute annually, at a minimum, amounts required by applicable law, regulation or union agreement.

Visteon-assigned Ford-UAW employees, comprising about 22,000 people (combined actives and retirees) at December 31, 2003, participate in the Ford-UAW Retirement Plan, sponsored by Ford. By agreement, Visteon compensates Ford for the pension expense incurred by Ford for Visteon-assigned employees. The amount of compensation is disclosed in the table below on the "expense for Visteon-assigned Ford-UAW and certain salaried employees" line, and is calculated by Ford on a SFAS 87 basis using Ford's pension assumptions.

Most U.S. salaried employees are eligible to participate in a defined contribution plan (Visteon Investment Plan) by contributing a portion of their compensation, which was partially matched by Visteon. Matching contributions were \$31 million in 2001 and were suspended effective January 1, 2002.

VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — (Continued)

**NOTE 7. Employee Retirement Benefits — (Continued)**

*Postretirement Health Care and Life Insurance Benefits*

In the U.S., Visteon has a financial obligation for the cost of providing selected health care and life insurance benefits to its employees under Visteon sponsored plans. In addition, under the terms of the Hourly Employee Assignment Agreement (the "Agreement"), Ford charges the company for a portion of the cost of such benefits that are provided by Ford to Visteon-assigned Ford-UAW employees who retire after July 1, 2000. The estimated cost for these benefits is accrued over periods of employee service on an actuarially determined basis. The amounts charged by Ford related to the Visteon-assigned Ford-UAW employees are determined by Ford's actuaries, computed in accordance with Ford's SFAS 106 methodologies and actuarial assumptions, and are included in the accompanying balance sheet as postretirement benefits payable to Ford.

During the fourth quarter of 2003, the Agreement was amended and restated. Under the terms of the amended and restated agreement, Ford agreed to assume responsibility for approximately \$1,646 million of amounts previously owed by Visteon to Ford for postretirement health and life insurance benefits earned by the Visteon-assigned Ford-UAW employees during the period prior to the separation. Ford agreed also to assume responsibility for future accretion on the \$1,646 million amount at the appropriate SFAS 106 discount rate (6.25% at December 31, 2003). Visteon had previously recorded the \$1,646 million liability in accordance with the original terms of the Agreement. Visteon continues to be responsible to Ford for changes in this liability that result from changes in actuarial assumptions, changes in salaries and Visteon early retirement incentive plans.

In accordance with SFAS 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings," Visteon has not recorded any gain or loss relating to this amendment because future accretion and contingently payable amounts with respect to the restructured obligation are expected to exceed the amount currently recorded by Visteon. The amounts ultimately due are contingent upon future health and retirement benefit costs to be charged to Visteon by Ford with respect to the Visteon-assigned Ford-UAW employees. A portion of the yearly expense charged by Ford will be offset as charged by the release of the contingently payable amount (\$1,138 million at December 31, 2003) and the remainder will reduce future accretion charges over the life of the obligation (\$508 million).

## VISTEON CORPORATION AND SUBSIDIARIES

## NOTES TO FINANCIAL STATEMENTS — (Continued)

**NOTE 7. Employee Retirement Benefits — (Continued)**

Under the terms of the revised Agreements with Ford, Visteon is required to fund a portion of actual costs of these benefits as incurred by Ford for the Visteon-assigned Ford-UAW employees through 2005 and certain salaried employees through 2010. In addition, Visteon has agreed to contribute funds to a Voluntary Employees' Beneficiary Association ("VEBA") trust to fund postretirement health care and life insurance benefits to be provided by Ford related to the post-spin service of Visteon-assigned Ford-UAW hourly employees as well as many transferred salaried employees. The required VEBA funding is over a 44-year period beginning in 2006 for the Visteon-assigned Ford-UAW hourly employees, and over a 39-year period beginning in 2011 for those salaried employees. The annual funding requirement during these periods will be determined based upon amortization of the unfunded liabilities at the beginning of each period, plus amortization of annual expense. Based upon estimates of the unfunded liabilities and the related expense, the first required annual payment to the VEBA will be about \$112 million (which includes about \$30 million to cover benefit payments) in 2006 reduced from \$535 million based on the prior agreement. In December 2000, Visteon pre-funded a portion of this obligation by contributing \$25 million to a VEBA. The fair value of the VEBA assets as of December 31, 2003 was \$28 million, and is included in other non-current assets in the accompanying balance sheet.

The benefit obligation and net amount recognized in the balance sheet for the postretirement health care and life insurance benefits payable to Ford relating to participation by the Visteon-assigned Ford-UAW and certain salaried employees, at December 31, was as follows:

|   | December 31,  |          |
|---|---------------|----------|
|   | 2003          | 2002     |
|   | (in millions) |          |
| Obligation for benefits to Visteon-assigned Ford-UAW and salaried employees | \$ 3,292      | \$ 2,886 |
| Reimbursable amount assumed by Ford   | (1,646)       | —        |
| Unamortized losses/other associated with the obligation                     | (1,202)       | (1,012)  |
| Deferred amounts:   |               |          |
| Contingently payable  | 1,138         | —        |
| To reduce future accretion  | 508           | —        |
| Postretirement benefits payable to Ford                                     | \$ 2,090      | \$ 1,874 |

Visteon recognizes postretirement benefit expense based on an allocation of the Ford postretirement healthcare and life insurance benefit expense for the Visteon-assigned Ford-UAW employees and certain salaried employees. The assumptions used by Ford to measure its obligation and expense for those benefits are as follows as of December 31:

|  | 2003  | 2002   |
|--|-------|--------|
| Discount rate                                      | 6.25% | 6.75%  |
| Initial health care cost trend rate                | 9.00% | 11.00% |
| Ultimate health care cost trend rate               | 5.00% | 5.00%  |
| Year that the rate reaches the ultimate trend rate | 2010  | 2008   |

Effective January 1, 2002, the company revised the eligibility requirement for retiree health insurance coverage for most U.S. employees to 10 years of service after attaining the age of 45. Effective January 1, 2004, eligibility requirements for the remaining U.S. employees were also revised to 10 years of service after attaining the age of 45.

**VISTEON CORPORATION AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**

**NOTE 7. Employee Retirement Benefits — (Continued)**

Visteon's expense for retirement benefits was as follows:

|  | Retirement Plans                  |               |               |                |              |             | Health Care and Life Insurance Benefits |               |               |
|--|-----------------------------------|---------------|---------------|----------------|--------------|-------------|---|---------------|---------------|
|  | U.S. Plans                        |               |               | Non-U.S. Plans |              |             | 2003                                    | 2002          | 2001          |
|  | 2003                              | 2002          | 2001          | 2003           | 2002         | 2001        |   |               |               |
|  | (in millions, except percentages) |               |               |                |              |             |   |               |               |
| <b>Costs Recognized in Income</b>                                    |                                   |               |               |                |              |             |   |               |               |
| Service cost   | \$ 53                             | \$ 47         | \$ 45         | \$ 32          | \$ 27        | \$ 19       | \$ 26                                   | \$ 28         | \$ 28         |
| Interest cost  | 59                                | 55            | 50            | 52             | 40           | 34          | 44                                      | 56            | 53            |
| Expected return on plan assets                                       | (56)                              | (64)          | (64)          | (54)           | (48)         | (49)        | —                                       | —             | —             |
| Amortization of:   |                                   |               |               |                |              |             |   |               |               |
| Transition (asset) obligation  | —                                 | —             | (4)           | 1              | 1            | —           | —                                       | —             | —             |
| Plan amendments  | 10                                | 8             | 8             | 10             | 6            | 6           | (7)                                     | (14)          | (1)           |
| (Gains) losses and other   | —                                 | (2)           | (3)           | 1              | (4)          | (8)         | 11                                      | 5             | 2             |
| Special termination benefits   | 2                                 | 30            | 52            | 15             | 4            | 1           | 4                                       | 15            | 19            |
| Curtailments   | —                                 | —             | (3)           | —              | 45           | 1           | —                                       | 1             | —             |
| Settlements  | 1                                 | —             | —             | 2              | —            | —           | —                                       | —             | —             |
| Expense for Visteon-assigned Ford-UAW and certain salaried employees | 172                               | 62            | 58            | —              | —            | —           | 323                                     | 224           | 181           |
| <b>Net pension/postretirement expense</b>                            | <b>\$ 241</b>                     | <b>\$ 136</b> | <b>\$ 139</b> | <b>\$ 59</b>   | <b>\$ 71</b> | <b>\$ 4</b> | <b>\$ 401</b>                           | <b>\$ 315</b> | <b>\$ 282</b> |
| <b>Assumptions — cost</b>  |                                   |               |               |                |              |             |   |               |               |
| Discount rate for expense  | 6.75%                             | 7.50%         | 7.75%         | 5.75%          | 6.00%        | 6.25%       | 6.75%                                   | 7.25%         | 7.50%         |
| Assumed long-term rate of return on assets                           | 9.00%                             | 9.50%         | 9.50%         | 8.25%          | 9.00%        | 10.00%      | 6.00%                                   | 6.00%         | 6.00%         |
| Initial health care cost trend rate                                  | —                                 | —             | —             | —              | —            | —           | 11.00%                                  | 9.45%         | 8.97%         |
| Ultimate health care cost trend rate                                 | —                                 | —             | —             | —              | —            | —           | 5.00%                                   | 5.00%         | 5.00%         |
| Year that the rate reaches the ultimate trend rate                   | —                                 | —             | —             | —              | —            | —           | 2008                                    | 2008          | 2008          |

Increasing the assumed health care cost trend rates by one percentage point is estimated to increase the Visteon plans' aggregate service and interest cost components of Visteon's net postretirement benefit expense for 2003 by about \$20 million (\$42 million for Ford plans) and the accumulated postretirement benefit obligation at December 31, 2003 by about \$139 million. A decrease of one percentage point would reduce service and interest costs by \$16 million (\$34 million for Ford plans) and decrease the December 31, 2003 obligation by about \$113 million.

**VISTEON CORPORATION AND SUBSIDIARIES**
**NOTES TO FINANCIAL STATEMENTS — (Continued)**
**NOTE 7. Employee Retirement Benefits — (Continued)**

The status of these plans as of their most recent measurement dates was as follows:

|  | Retirement Plans |          |                |          | Health Care and Life Insurance Benefits |          |
|--|------------------|----------|----------------|----------|---|----------|
|  | U.S. Plans       |          | Non-U.S. Plans |          | 2003                                    | 2002     |
|  | 2003             | 2002     | 2003           | 2002     |   |          |
| (in millions, except percentages)                        |                  |          |                |          |   |          |
| <b>Change in Benefit Obligation</b>                      |                  |          |                |          |   |          |
| Benefit obligation — beginning                           | \$ 851           | \$ 703   | \$ 866         | \$ 641   | \$ 651                                  | \$ 528   |
| Service cost   | 53               | 47       | 32             | 27       | 26                                      | 18       |
| Interest cost  | 59               | 55       | 52             | 40       | 44                                      | 35       |
| Amendments/other   | 8                | 28       | 19             | 37       | (90)                                    | (58)     |
| Actuarial loss   | 89               | 52       | 39             | 31       | 291                                     | 157      |
| Special termination benefits                             | 33               | —        | 15             | 4        | —                                       | —        |
| Curtailement   | —                | —        | (12)           | 28       | —                                       | (4)      |
| Settlements  | (1)              | —        | 1              | —        | —                                       | —        |
| Foreign exchange translation                             | —                | —        | 150            | 70       | 1                                       | —        |
| Benefits paid  | (39)             | (34)     | (39)           | (12)     | (25)                                    | (25)     |
| Benefit obligation — ending                              | \$ 1,053         | \$ 851   | \$ 1,123       | \$ 866   | \$ 898                                  | \$ 651   |
| <b>Change in Plan Assets</b>                             |                  |          |                |          |   |          |
| Plan assets — beginning                                  | \$ 562           | \$ 595   | \$ 451         | \$ 422   | \$ —                                    | \$ —     |
| Actual return on plan assets                             | 107              | (27)     | 49             | (61)     | —                                       | —        |
| Sponsor contributions                                    | 37               | 22       | 76             | 47       | 24                                      | 25       |
| Participant contributions                                | 8                | 8        | 15             | 10       | 1                                       | —        |
| Foreign exchange translation                             | —                | —        | 83             | 33       | —                                       | —        |
| Benefits paid/other                                      | (43)             | (36)     | (39)           | —        | (25)                                    | (25)     |
| Plan assets — ending                                     | \$ 671           | \$ 562   | \$ 635         | \$ 451   | \$ —                                    | \$ —     |
| <b>Funded Status of the Plans</b>                        |                  |          |                |          |   |          |
| Plan assets in excess of (less than) benefit obligations | \$ (382)         | \$ (289) | \$ (488)       | \$ (415) | \$ (898)                                | \$ (651) |
| Contributions between measurement and end of fiscal year | 6                | —        | 23             | 25       | 14                                      | 7        |
| Unrecognized:  |                  |          |                |          |   |          |
| Net (gains) losses                                       | 153              | 112      | 274            | 205      | 478                                     | 197      |
| Prior service cost/other                                 | 59               | 69       | 115            | 111      | (135)                                   | (54)     |
| Net amount recognized                                    | \$ (164)         | \$ (108) | \$ (76)        | \$ (74)  | \$ (541)                                | \$ (501) |
| <b>Amount Recognized in Balance Sheet</b>                |                  |          |                |          |   |          |
| Prepaid assets   | \$ —             | \$ 1     | \$ 18          | \$ 15    | \$ —                                    | \$ —     |
| Accrued liabilities                                      | (315)            | (257)    | (270)          | (194)    | (541)                                   | (501)    |
| Intangible assets  | 54               | 62       | 83             | 81       | —                                       | —        |
| Deferred income taxes                                    | 30               | 32       | 2              | 9        | —                                       | —        |
| Accumulated other comprehensive income                   | 67               | 54       | 91             | 15       | —                                       | —        |
| Net amount recognized                                    | \$ (164)         | \$ (108) | \$ (76)        | \$ (74)  | \$ (541)                                | \$ (501) |
| <b>Assumptions — Benefit Obligations</b>                 |                  |          |                |          |   |          |
| Discount rate  | 6.10%            | 6.75%    | 5.60%          | 5.75%    | 6.10%                                   | 6.75%    |
| Expected rate of return on assets                        | 9.00%            | 9.00%    | 7.70%          | 8.25%    | —                                       | —        |
| Rate of increase in compensation                         | 4.00%            | 4.00%    | 3.70%          | 3.75%    | —                                       | —        |
| Initial health care cost trend rate                      | —                | —        | —              | —        | 11.00%                                  | 10.44%   |
| Ultimate health care cost trend rate                     | —                | —        | —              | —        | 5.00%                                   | 5.00%    |
| Year that the rate reaches the ultimate trend rate       | —                | —        | —              | —        | 2010                                    | 2008     |
| Measurement date   | 9/30             | 9/30     | 9/30           | 9/30     | 9/30                                    | 9/30     |

**VISTEON CORPORATION AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**

**NOTE 7. Employee Retirement Benefits — (Continued)**

The accumulated benefit obligation for all defined benefit pension plans was \$1,821 million and \$1,392 million at the 2003 and 2002 measurement dates.

The increase in minimum pension liability included in other comprehensive income for the years ended December 31, 2003 and 2002 was \$89 million and \$67 million, respectively.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for employee retirement plans with accumulated benefit obligations in excess of plan assets were \$1,944 million, \$1,670 million and \$1,117 million, respectively, for 2003 and \$1,538 million, \$1,279 million and \$870 million, respectively, for 2002.

The change in the U.S. discount rate from 6.75% to 6.10% for the year ended December 31, 2003 resulted in an increase of \$103 million and \$82 million to the U.S. pension benefit obligation and health care and life insurance benefit obligation, respectively, which are included in the 2003 actuarial losses in the table above.

*U.S. Plan Assets and Investment Strategy*

Visteon's U.S. retirement plan asset allocation at September 30, 2003 and 2002 and target allocation for 2004 are as follows:

|                   | Target<br>Allocation<br>2004 | Percentage of<br>Plan Assets |      |
|-------------------|------------------------------|------------------------------|------|
|                   |                              | 2003                         | 2002 |
| Equity securities | 70%                          | 69%                          | 54%  |
| Debt securities   | 30                           | 31                           | 46   |
| Total             | 100%                         | 100%                         | 100% |

The plan's expected long-term rate of return on plan assets of 9.0% is primarily based on historical returns of similarly diversified portfolios. In addition, third-party data regarding expected asset class returns and inflation has been considered.

Investment management responsibilities of plan assets are delegated to registered investment advisers and overseen by an investment committee comprised of members of Visteon's senior management. Written investment management agreements and the Visteon U.S. Pension Plan Investment Policy Statement set forth the goals, policies and investment management strategies of the plan with regard to permissible investments, risk management practices and the use of derivative securities. Compliance with these provisions is verified at least quarterly.

Given the relatively long duration of the plan's obligations, the plan's investment strategy is to improve the funded status of the plan over time based on a target asset allocation of 70% equity securities. Asset allocation across equity and debt securities is maintained within a +/-5% range of the target asset allocation. In addition, the plan's diversification across investment managers is subject to +/-5% tolerance versus the manager mix specified by the plan's investment policies. Periodic contributions are directed in order to move actual asset balances toward targets. In circumstances where market conditions cause asset allocation or manager diversification to deviate out of tolerance, assets are rebalanced into compliance within 30 days of occurrence.

**VISTEON CORPORATION AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**

**NOTE 7. Employee Retirement Benefits — (Continued)**

The plan's investment managers invest in debt and equity securities of domestic and international entities based upon each manager's investment mandate. The selection of specific securities is at the discretion of the investment manager and is subject to restrictions of the plan's investment policies. Investment in alternative asset classes as well as in debt and equity securities related to Visteon or any of its affiliates is prohibited. Derivative securities may be used by investment managers as efficient substitutes for traditional securities, to reduce portfolio risks, or to hedge identifiable economic exposures. The use of derivative securities to create economic leverage to engage in unrelated speculation is expressly prohibited.

*U.S. Contributions*

During 2004, Visteon's expected contributions to U.S. retirement plans and postretirement health care and life insurance plans are \$193 million and \$72 million, respectively, including payments to Ford of \$115 million and \$38 million, respectively.

*Medicare Legislation*

The impact of the Medicare Drug, Improvement, and Modernization Act of 2003 (the "Act"), has not been reflected in Visteon's accounting for postretirement healthcare benefits or in disclosures above as the Act was signed into law subsequent to our measurement date of September 30, 2003.

**NOTE 8. Debt**

Debt at December 31 was as follows:

|                                     | Maturity  | Weighted Average Interest Rate |      | Book Value |          |
|-------------------------------------|-----------|--------------------------------|------|------------|----------|
|                                     |           | 2003                           | 2002 | 2003       | 2002     |
| (in millions)                       |           |                                |      |            |          |
| <b>Debt payable within one year</b> |           |                                |      |            |          |
| Commercial paper                    |           | 2.0%                           | 1.7% | \$ 81      | \$ 166   |
| Other — short-term                  |           | 3.1%                           | 5.4% | 234        | 166      |
| Current portion of long-term debt   |           | 2.6%                           | 5.8% | 36         | 61       |
| Total debt payable within one year  |           |                                |      | 351        | 393      |
| <b>Long-term debt</b>               |           |                                |      |            |          |
| Unsecured debt securities           | 2005-2010 | 6.0%                           | 6.4% | 1,234      | 1,239    |
| Other                               | 2005-2025 | 2.4%                           | 7.3% | 233        | 59       |
| Total long-term debt                |           |                                |      | 1,467      | 1,298    |
| Total debt                          |           |                                |      | \$ 1,818   | \$ 1,691 |

**VISTEON CORPORATION AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**

**NOTE 8. Debt — (Continued)**

On August 3, 2000, Visteon completed a public offering of unsecured fixed rate term debt securities totaling \$1.2 billion with maturities of five years and ten years. The offering included \$500 million of securities maturing on August 1, 2005, and \$700 million of securities maturing on August 1, 2010. The five and ten year securities were issued at a slight discount to the stated rates of interest of 7.95% and 8.25%, respectively. Interest rate swaps have been entered into for a portion of the unsecured term debt securities maturing on August 1, 2005, and a portion of the debt securities maturing on August 1, 2010. These swaps effectively convert the securities from fixed interest rate to variable interest rate instruments, as further described in Note 12 of our consolidated financial statements. The weighted average interest rates as presented include the effects of interest rate swaps. Interest is payable semi-annually on February 1 and August 1. The unsecured term debt securities agreement contains certain restrictions including, among others, a limitation relating to liens and sale lease-back transactions, as defined in the agreement. In the opinion of management, Visteon was in compliance with all of these restrictions.

Under Visteon's commercial paper program, \$81 million and \$166 million was outstanding at December 31, 2003 and 2002, respectively, with a weighted average remaining maturity of 16 and 12 days at December 31, 2003 and 2002, respectively.

Visteon maintains a trade payables program through General Electric Capital Corporation ("GECC"), subject to periodic review, that provides financial flexibility to Visteon and its suppliers. When a supplier participates in the program, GECC pays the supplier the amount due from Visteon in advance of the original due date. In exchange for the earlier payment, our suppliers accept a discounted payment. Visteon pays GECC the full amount. Approximately \$100 million and \$45 million, classified as short-term debt, was outstanding to GECC under this program at December 31, 2003 and 2002, respectively. As part of this same program with GECC, Visteon is allowed to defer payment to GECC for a period of up to 30 days. At December 31, 2003, Visteon had not exercised the deferral option of the program.

On April 2, 2002, Visteon and Visteon Capital Trust I (the "trust") filed a shelf registration statement with the Securities and Exchange Commission to register \$800 million in securities. Under this shelf process, in one or more offerings, Visteon may sell notes, preferred stock, common stock, depository shares, warrants, stock purchase contracts and stock purchase units; and the trust may sell trust preferred securities representing undivided beneficial interests in the trust. This shelf registration statement replaces the prior shelf registration statement filed on June 23, 2000. The registration statement became effective on April 12, 2002. Each time Visteon sells securities under this shelf registration statement, a prospectus supplement will be provided that will contain specific information about the terms of that offering. Except as may otherwise be determined at the time of sale, the net proceeds would be used for general corporate purposes.

Visteon has financing arrangements with a syndicate of third-party lenders that provide contractually committed, unsecured revolving credit facilities (the "Credit Facilities"). Our 364-day revolving credit facility, in the amount of \$555 million, expires in June 2004. In addition to our 364-day revolving facility, we continue to have a revolving credit facility in the amount of \$775 million that expires in June 2007. The Credit Facilities also provide for a delayed draw term loan in the amount of \$250 million, expiring in 2007, which will be used primarily to finance new construction for facilities consolidation in Southeast Michigan. Borrowings under the Credit Facilities bear interest based on a variable rate interest option selected at the time of borrowing. The Credit Facilities contain certain affirmative and negative covenants including a covenant not to exceed a certain leverage ratio.

**VISTEON CORPORATION AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**

**NOTE 8. Debt — (Continued)**

As of December 31, 2003, Visteon has made draws totaling \$104 million against the delayed draw term loan. As of December 31, 2003, there were no amounts outstanding under either of the revolving credit facilities and there were \$44 million of obligations under standby letters of credit under the June 2007 facility.

Visteon has additional debt arrangements with respect to a number of its non-U.S. operations, a portion of which are payable in non-U.S. currencies.

We have guaranteed about \$24 million of borrowings held by unconsolidated joint ventures and have extended loans of about \$3 million to unconsolidated joint ventures as of December 31, 2003. In addition, we have guaranteed Tier 2 suppliers' debt and lease obligations of about \$16 million, at December 31, 2003, to ensure the continued supply of essential parts.

Debt at December 31, 2003, included maturities as follows (in millions): 2004 — \$351; 2005 — \$538; 2006 — \$27; 2007 — \$117; 2008 — \$0; thereafter — \$785.

**NOTE 9. Capital Stock and Stock Award Plans**

Visteon was incorporated in Delaware in January 2000 with an initial capitalization of 10,000 shares of \$1.00 par value common stock authorized and 1,000 shares of common stock outstanding. Through an amendment to its certificate of incorporation, the number of common shares authorized and outstanding was increased to 500 million and 130 million, respectively. In addition, 50 million shares of preferred stock, par value \$1.00 per share, were authorized, none of which have been issued.

The Visteon Corporation 2000 Incentive Plan ("Incentive Plan"), which is administered by the Compensation Committee of the Board of Directors, provides for the grant of incentive and nonqualified stock options, stock appreciation rights, performance stock rights and stock and various other rights based on stock. The Visteon Corporation Employees Equity Incentive Plan ("EEIP"), which is administered by an Administrator appointed by the Board of Directors, provides for the grant of nonqualified stock options, stock appreciation rights, performance stock rights and stock, and various other rights based on stock. The Visteon Corporation Restricted Stock Plan for Non-Employee Directors provides for the grant of restricted stock to non-employee directors. The total number of shares of common stock subject to awards under the Incentive Plan and EEIP is 13 million and 6.5 million shares of common stock, respectively. At December 31, 2003, there were about 100,000 and 370,000 shares of common stock available for grant under the Incentive Plan and EEIP, respectively. All plans have been approved by shareholders.

Stock options granted under the Incentive Plan or the EEIP have an exercise price equal to the average of the highest and lowest prices at which Visteon common stock was traded on the New York Stock Exchange on the date of grant. Stock options that have been granted become exercisable one-third after one year from the date of grant, an additional one-third after two years and in full after three years, and expire 10 years from the date of grant.

VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — (Continued)

NOTE 9. Capital Stock and Stock Award Plans — (Continued)

Effective at the date of spin-off and subject to shareholder approval, Visteon granted under the Incentive Plan to some employees about 2 million stock options with an exercise price equal to the average of the highest and lowest prices at which Visteon common stock was traded on the New York Stock Exchange on that date. Shareholder approval was obtained in May 2001 for the grant of these stock options. The difference between the exercise price and the average price of Visteon common stock on the date of shareholder approval will be recognized as compensation expense over the vesting period. Stock option compensation expense before taxes, including the effect of expensing the fair value of stock-based awards granted to employees pursuant to SFAS 123 discussed further in Note 2 of our consolidated financial statements, was \$5 million, \$3 million and \$4 million in 2003, 2002 and 2001, respectively.

Information concerning stock options is as follows:

|  | Shares         | Weighted Average<br>Exercise Price |
|--|----------------|------------------------------------|
|  | (in thousands) |                                    |
| Outstanding at December 31, 2000                           | —              | \$ —                               |
| Granted  | 5,193          | 15.60                              |
| Exercised  | (172)          | 13.09                              |
| Terminated   | (89)           | 15.08                              |
| Outstanding at December 31, 2001                           | 4,932          | \$ 15.74                           |
| Granted  | 3,491          | 13.45                              |
| Exercised  | (24)           | 11.96                              |
| Terminated   | (494)          | 15.10                              |
| Outstanding at December 31, 2002                           | 7,905          | \$ 14.78                           |
| Granted  | 6,226          | 6.62                               |
| Terminated   | (489)          | 11.41                              |
| Outstanding at December 31, 2003                           | 13,642         | \$ 11.22                           |
| Less: Outstanding but not exercisable at December 31, 2003 | 9,049          |                                    |
| Exercisable at December 31, 2003                           | 4,593          | \$ 14.89                           |

The following is a summary of the range of exercise prices for stock options that are outstanding and exercisable at December 31, 2003:

| Range of<br>Exercise Prices | Options Outstanding   |                                       |                                       | Options Exercisable   |                                       |
|-----------------------------|-----------------------|---------------------------------------|---------------------------------------|-----------------------|---------------------------------------|
|                             | Number<br>Outstanding | Weighted<br>Average<br>Remaining Life | Weighted<br>Average<br>Exercise Price | Number<br>Exercisable | Weighted<br>Average<br>Exercise Price |
|                             | (in thousands)        | (in years)                            |                                       | (in thousands)        |                                       |
| \$ 5.00 - \$ 7.00           | 5,942                 | 9.13                                  | \$ 6.62                               | —                     | \$ —                                  |
| 7.01 - 12.00                | 79                    | 8.84                                  | 7.87                                  | 28                    | 7.98                                  |
| 12.01 - 17.00               | 5,009                 | 7.57                                  | 13.43                                 | 2,824                 | 13.32                                 |
| 17.01 - 22.00               | 2,612                 | 7.36                                  | 17.53                                 | 1,741                 | 17.53                                 |
|                             | 13,642                |                                       |                                       | 4,593                 |                                       |

## VISTEON CORPORATION AND SUBSIDIARIES

## NOTES TO FINANCIAL STATEMENTS — (Continued)

**NOTE 9. Capital Stock and Stock Award Plans — (Continued)**

Under the Incentive Plan, Visteon has granted restricted stock awards to certain employees. Restricted stock awards vest after a designated period of time, which is generally three to five years, or upon the achievement of applicable performance goals at the completion of a performance period, which is generally three years. Performance goals are related to return on equity and quality measures. Compensation expense related to performance-based restricted stock awards is recognized over the performance period based upon an estimate of the likelihood of achieving the performance goals and also reflects changes in the price of Visteon common stock. Restricted stock awards issued to Visteon's Board of Directors vest on the third anniversary of the date of the grant. Restricted stock compensation expense before taxes was \$9 million, \$3 million and \$9 million in 2003, 2002 and 2001, respectively.

Information concerning restricted stock awards is as follows:

|                                  | Shares         | Weighted<br>Average Price |
|----------------------------------|----------------|---------------------------|
|                                  | (in thousands) |                           |
| Outstanding at December 31, 2000 | —              | \$ —                      |
| Granted                          | 1,892          | 17.39                     |
| Lapsed                           | (65)           | 17.46                     |
| Terminated                       | (178)          | 17.46                     |
| Outstanding at December 31, 2001 | 1,649          | \$ 17.38                  |
| Granted                          | 1,345          | 13.20                     |
| Lapsed                           | (79)           | 17.46                     |
| Terminated                       | (201)          | 16.26                     |
| Outstanding at December 31, 2002 | 2,714          | \$ 15.39                  |
| Granted                          | 2,567          | 6.62                      |
| Lapsed                           | (26)           | 17.46                     |
| Terminated                       | (234)          | 9.10                      |
| Outstanding at December 31, 2003 | 5,021          | \$ 11.20                  |

**NOTE 10. Litigation and Claims**

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

VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — (Continued)

**NOTE 10. Litigation and Claims — (Continued)**

Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not predictable with assurance. Reserves have been established by Visteon for matters discussed in the foregoing paragraph where losses are deemed probable; these reserves are adjusted periodically to reflect estimates of ultimate probable outcomes. It is reasonably possible, however, that some of the matters discussed in the foregoing paragraph for which reserves have not been established could be decided unfavorably to Visteon and could require Visteon to pay damages or make other expenditures in amounts, or a range of amounts, that cannot be estimated at December 31, 2003. Visteon does not reasonably expect, based on its analysis, that any adverse outcome from such matters would have a material effect on our financial condition, results of operations or cash flows, although such an outcome is possible.

**NOTE 11. Arrangements with Ford and its Affiliates**

Revenues from Ford and its affiliates approximated 76% in 2003, 80% in 2002 and 82% in 2001 of total sales.

Visteon and Ford have entered into a series of agreements outlining the terms of the separation and the relationship between Visteon and Ford on an ongoing basis. In December 2003, Visteon and Ford entered into a series of agreements that modify or replace several of the agreements. The following summary of certain of these agreements is qualified in all respects by the actual terms of the respective agreements.

*Master Transfer Agreement*

The master transfer agreement, effective as of April 1, 2000, and other related agreements, provided for Ford to transfer to Visteon and/or its subsidiaries, all assets used exclusively by Visteon, including but not limited to real property interests, personal property and ownership interests in subsidiaries and joint ventures. In addition, Visteon and Ford agreed to a division of liabilities relating to the assets contributed and the Visteon business, including liabilities related to product liability, warranty, recall, environmental, intellectual property claims and other general litigation claims. Specifically, Visteon and Ford agreed on a division of responsibility for product liability, warranty and recall matters as follows: (a) Ford will retain liability for all product liability, warranty or recall claims that involve parts made or sold by Visteon for 1996 or earlier model year Ford vehicles; (b) Visteon is liable for all product liability, warranty or recall claims that involve parts made or sold by Visteon for 1997 or later model year Ford vehicles in accordance with Ford's global standard purchase order terms as applied to other Tier 1 suppliers; and (c) Visteon has assumed all responsibility for product liability, warranty or recall claims relating to parts made or sold by Visteon to any non-Ford customers.

Also, Visteon and Ford agreed on a division of responsibility for liabilities associated with claims that Visteon's products infringe or otherwise violate the intellectual property interests of others as follows: (a) Ford will retain liability for such claims related to Visteon's products sold or supplied to Ford or its subsidiaries on or prior to July 31, 1999; (b) Visteon has assumed liability for such claims related to Visteon's products sold or supplied to Ford or its subsidiaries after July 31, 1999 to the same extent as other Tier 1 suppliers would be liable if they had supplied such parts, components or systems to Ford; and (c) Visteon has assumed liability for such claims related to Visteon's products sold to third parties at any time.

**VISTEON CORPORATION AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**

**NOTE 11. Arrangements with Ford and its Affiliates — (Continued)**

*Supply Agreement and Pricing Letter Agreement*

The supply agreement entered into in connection with Visteon's separation from Ford provided that Visteon's existing purchase orders with Ford as of January 1, 2000 would generally remain in effect at least through the end of 2003, subject to Ford's right to terminate any particular purchase order for quality or other reasons. The pricing letter also required productivity price adjustment in each of 2000, 2001, 2002 and 2003 to reflect competitive price reductions obtained each year by Ford from its other Tier 1 suppliers, and provided, until May 31, 2003, Visteon the right of last refusal to meet competitive terms, including price, technology, service and design, on replacement products that (1) we produce in North America, Europe and Mexico (for Mexican production intended for export to the U.S. only) and (2) we supplied to Ford on January 1, 2000. Although the right of last refusal did not apply to Ford's Volvo or Jaguar brand vehicles or to Mazda Motor Corporation's vehicles, Ford had agreed to use reasonable efforts to provide us with similar opportunities to bid for business with respect to these vehicles.

During the fourth quarter 2003, Visteon and Ford terminated the original purchase and supply agreement and related pricing letter agreement that were entered into at or around the time of the separation and entered into a new purchase and supply agreement, dated as of December 19, 2003. This agreement governs general commercial matters relating to the supply of components in North America by Visteon to Ford, primarily relating to sourcing and pricing obligations.

Visteon and Ford have agreed to continue to honor the terms and conditions of all existing agreements regarding the purchase and sale of currently sourced components. In addition, Ford has agreed to include Visteon on its list of suppliers receiving requests for quotations, design competitions and advanced technology development activities with respect to the sourcing of new business unless "good cause" or "other good business reasons" (each as defined in the agreement) exist to exclude Visteon. If Visteon is excluded from the list of suppliers receiving a request for quote for certain replacement new business because of other good business reasons, then Ford will compensate Visteon on account of such exclusion based on lost profits due to the discontinued sourcing of such components, as calculated in accordance with terms of the agreement. Where Visteon has been asked to quote on new business, consistent with commitments made to the UAW and Visteon to "look to Visteon first," such new business will be awarded to Visteon if Visteon's quote is "competitive" (as defined in the agreement). Also, as a condition to sourcing Visteon with respect to most new components, Visteon must develop a competitive gap closure plan that identifies opportunities to reduce prices on the same or similar components currently sourced to Visteon to competitive levels, which plans are not intended to reduce Visteon's margins. Otherwise, Ford will treat Visteon in the same manner as it treats its other Tier 1 suppliers with respect to Ford's general sourcing policies and practices relating to new business, including new purchasing and sourcing initiatives.

VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — (Continued)

**NOTE 11. Arrangements with Ford and its Affiliates — (Continued)**

Ford may terminate or not renew its purchase obligations relating to a given component (each, a “Purchase Order”) in accordance with the terms of such Purchase Order, on account of “excusable delay” (as defined in the agreement), program cancellation, for good cause or for other good business reasons. If a Purchase Order is terminated or not renewed for good cause, then there will be no adjustment to the productivity price down percentages. If during the term of any Purchase Order, Ford elects to terminate or not renew a Purchase Order for other good business reasons, then Ford will compensate Visteon based on lost profits due to the discontinued sourcing of such components, as calculated in accordance with terms of the agreement. If during the term of any Purchase Order, Ford elects to terminate or not renew a Purchase Order because of program cancellation or excusable delay, then the terms of the applicable Purchase Order will govern the right to notification, remediation and compensation, if any.

Furthermore, Visteon has agreed to pay Ford \$150 million in lieu of additional productivity price reductions on components supplied by Visteon in North America during 2003, which amount is to be paid in three equal installments commencing no later than December 31, 2003 and ending on or before March 1, 2004. Visteon also will provide specified productivity price reductions for all components supplied to Ford beginning January 1, 2004 and on each January 1 thereafter through 2007. Visteon and Ford have also agreed to negotiate in good faith price changes on supplied components resulting from design changes to such components.

During the period from January 1, 2004 through December 31, 2007, Ford has agreed to pay to Visteon an amount based on the cost differential between wages paid to Ford-UAW workers, at efficient manning levels, and workers at Tier 1 suppliers, with respect to new business sourced to Visteon at plants covered by the Ford-UAW master collective bargaining agreement. Through December 31, 2007, Ford agrees to reimburse Visteon for wages relating to Ford-UAW workers assigned to Visteon who are placed in the Guaranteed Employment Number program, as set forth in the Ford-UAW master collective bargaining agreement, as a result of Ford’s decision to exclude Visteon from the list of suppliers receiving a request for quote on new business or terminate or not renew a Purchase Order because of other good business reasons.

Finally, Ford has agreed to reimburse Visteon for up to one-half of any capital investment spending on production facilities and equipment made by Visteon during the period from January 1, 2004 through December 31, 2007 to the extent related to the production of certain uncompetitive commodities for Ford. Because this reimbursement is calculated on the basis that the capital investment will be amortized over a period of seven years utilizing the production volumes of the applicable components, Visteon may not be reimbursed the full amount in the event that the sourcing program were cancelled or modified by Ford during such period. Ford has also agreed to accelerate the payment terms for certain payables to Visteon through 2006.

**VISTEON CORPORATION AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**

**NOTE 11. Arrangements with Ford and its Affiliates — (Continued)**

*Master Separation Agreement*

Ford has provided a number of transitional services to Visteon pursuant to the master separation agreement and related arrangements, including information technology, human resources, accounting, customs, product development technology and real estate services. Visteon agreed to pay Ford amounts which reflected its fully accounted cost for these services, including a reasonable allocation of internal overhead costs, as well as any direct costs incurred from outside suppliers. Except for certain information technology services, Ford's obligation to provide these services pursuant to the master separation agreement expired in June 2002. Assessments for these services totaled approximately \$136 million in 2001 and \$52 million for the first half of 2002. Visteon and Ford have subsequently entered into new arrangements covering some of these services.

Further, during 2003, Visteon began the process of creating a separate IT environment, including the separation of certain of Ford's IT systems that had been utilized by Visteon. During December 2003, Visteon and Ford agreed on matters designed to facilitate the separation process, including the provision by Ford of certain limited information technology support services, and for Ford to share a portion (up to \$100 million) of the cost associated with such process, of which \$74 million was recognized by Visteon in the fourth quarter of 2003 through a reduction in selling, administrative and other expenses and capital expenditures. The parties have agreed also to the mutual release of all claims related to IT activities since the separation.

*Hourly Employee Assignment Agreement*

The hourly employee assignment agreement, as amended and restated as of December 19, 2003, sets forth a number of rights and obligations with respect to the United States hourly employees of Ford who are covered by Ford-UAW master collective bargaining agreements and are assigned to work for Visteon. Under this agreement, Visteon exercises day-to-day supervision over the covered individuals and reimburses Ford for the wage, benefit and other costs incurred by Ford related to these individuals. This includes amounts for profit sharing based on Ford's profits, which is capped at \$2,040 per worker. This cap excludes amounts that may be payable on account of employer payroll taxes or the portion of any profit sharing payment that may be attributable to Visteon's profits. About \$4 million of profit sharing expense was recognized in each of 2003 and 2002; and no profit sharing expense was recognized in 2001.

## VISTEON CORPORATION AND SUBSIDIARIES

## NOTES TO FINANCIAL STATEMENTS — (Continued)

**NOTE 11. Arrangements with Ford and its Affiliates — (Continued)**

The hourly employee assignment agreement also provides that at December 31, 2003 Visteon's obligation to reimburse Ford for the Other Post Employment Benefits ("OPEB") SFAS 106 liability (the "OPEB Liability") related to pre-separation service of Ford hourly employees assigned to work at Visteon has been significantly reduced, and that the time period for funding Visteon's post-separation OPEB Liability to Ford for hourly employees assigned to work at Visteon be extended from 2020 to December 31, 2049, which is discussed further in Note 7 of our consolidated financial statements. Visteon has agreed to transfer assets and obligations relating to the pensions and other benefits for those hourly employees of Visteon who become hourly employees of Ford as of December 22, 2003. Finally, the agreement provides for an agreed upon method for the transfer of benefit obligations for Visteon-assigned Ford-UAW employees who return to Ford after service at Visteon.

**NOTE 12. Financial Instruments***Fair Value of Financial Instruments*

Estimated fair value amounts have been determined using available market information and various valuation methods depending on the type of instrument. In evaluating the fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and/or different valuation techniques may have a material effect on the estimated fair value amounts. Further, it should be noted that fair value at a particular point in time gives no indication of future gain or loss, or what the dimensions of that gain or loss are likely to be.

The fair value of debt was \$1,781 million at December 31, 2003, based on quoted market prices or current rates for similar debt with the same remaining maturities, compared with book value of \$1,818 million. The fair value of debt approximated \$1,698 million at December 31, 2002. The notional amount of interest rate swaps was \$540 million and \$790 million, respectively, at December 31, 2003 and 2002. The fair market value of the interest rate swaps was an asset of \$15 million and \$39 million at December 31, 2003 and 2002, respectively, with an offsetting amount recorded in long-term debt.

The fair value of foreign currency instruments was estimated using current market rates provided by outside quotation services. The notional amount of foreign currency instruments in equivalent U.S. dollars was \$1,107 million and \$1,007 million at December 31, 2003 and 2002, respectively. The notional amount represents the contract amount, not the amount at risk. The fair value of Visteon's foreign currency instruments was a liability of \$10 million and \$36 million at December 31, 2003 and 2002, respectively.

The notional amount of commodity derivatives was \$54 million and \$29 million at December 31, 2003 and 2002, respectively. The fair market value of commodity derivatives was an asset of \$11 million and \$7 million at December 31, 2003 and 2002, respectively.

Total realized and unrealized gains and losses on derivatives, net of tax, as a component of accumulated other comprehensive income increased stockholders' equity by \$8 million and reduced stockholders' equity by \$8 million at December 31, 2003 and 2002, respectively. It is anticipated that approximately \$8 million of deferred net gains, net of tax, will be reclassified from accumulated other comprehensive income to earnings over the next 12 months as the anticipated underlying transactions occur.

**VISTEON CORPORATION AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**

**NOTE 12. Financial Instruments — (Continued)***Concentration of Credit Risk*

Financial instruments, including cash equivalents, marketable securities, derivative contracts and accounts receivable, expose us to counterparty credit risk for non-performance. Our counterparties for cash equivalents, marketable securities and derivative contracts are banks and financial institutions that meet our requirement of high credit standing. Our counterparties for derivative contracts are substantial investment and commercial banks with significant experience using such derivatives. We manage our credit risk through policies requiring minimum credit standing and limiting credit exposure to any one counterparty, and through monitoring counterparty credit risks. Our concentration of credit risk related to derivative contracts at December 31, 2003, was not significant.

With the exception of accounts receivable from Ford and its affiliates, Visteon has no significant concentration of credit risk with any individual customer. Management periodically performs credit evaluations of its customers and generally does not require collateral.

**NOTE 13. Special Charges***2003 Actions*

Visteon recorded pre-tax special charges of \$749 million and after-tax special charges of \$947 million, with \$729 million in costs of sales and \$20 million in selling, administrative and other expenses, as summarized below:

|   | 2003          |           |
|---|---------------|-----------|
|   | Pre-tax       | After-tax |
|   | (in millions) |           |
| Restructuring and other charges:                        |               |           |
| 2003 actions  | \$ 134        | \$ 86     |
| Adjustments to prior year's expenses                    | (9)           | (6)       |
| Total restructuring and other charges                   | 125           | 80        |
| Loss related to fourth quarter asset impairment charges | 407           | 260       |
| Loss related to seating operations*                     | 217           | 139       |
| Deferred tax valuation allowance (Note 5)               | —             | 468       |
| Total special charges                                   | \$ 749        | \$ 947    |

\* 2003 amounts include \$18 million related operating losses from the North American seating operation between the effective date of the exit agreements (April 1, 2003) and the date the agreements were finalized (June 23, 2003).

*Restructuring and Other Charges*

In the fourth quarter of 2003, Visteon recorded pre-tax charges of \$43 million comprised of \$14 million related to an involuntary program to separate about 110 U.S. salaried employees, \$7 million related to a program started in the second quarter of 2003 to involuntary separate hourly employees located in Germany, \$8 million related to the involuntary separation of about 44 salaried employees in Germany, \$6 million related to the separation of about 100 hourly employees located at Visteon's plants in Europe through a continuation of special voluntary retirement and separation program started in 2002 and \$8 million related to other minor actions. The separation of the 110 U.S. salaried employees will take place at various times in 2004; all other actions were substantially completed during the fourth quarter of 2003.

VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — (Continued)

**NOTE 13. Special Charges — (Continued)**

In the third quarter of 2003, Visteon recorded pre-tax charges of \$11 million comprised of \$7 million related to a program started in the second quarter of 2003 to involuntarily separate hourly employees located in Germany, \$1 million related to the separation of about 13 hourly employees located at Visteon's plants in Europe through a continuation of a special voluntary retirement and separation program started in 2002 and \$3 million related to other minor actions.

In the second quarter of 2003, Visteon recorded pre-tax charges of \$49 million, comprised of \$42 million related to the involuntary separation of 675 hourly employees located in Germany, \$3 million related to the separation of about 93 hourly employees located at Visteon's plants in Europe through a continuation of a special voluntary retirement and separation program started in 2002 and \$4 million related to other minor actions.

In the first quarter of 2003, Visteon recorded pre-tax charges of \$31 million which includes \$27 million related to the involuntary separation of about 135 U.S. salaried employees, the separation of about 35 hourly employees located at Visteon's plants in Europe through a continuation of a special voluntary retirement and separation program started in 2002 and the elimination of about 120 manufacturing positions in Mexico and other minor actions. Included in the \$31 million pre-tax charge are \$4 million of non-cash charges related to the write-down of a group of coiled spring and stamping equipment at our Monroe, Michigan, plant for which production activities were discontinued and the future undiscounted cash flows are less than the carrying value of these fixed assets held for use. Visteon measured the impairment loss by comparing the carrying value of these fixed assets to the expected proceeds from disposal of the assets after completion of remaining production commitments.

In addition, accrued restructuring liabilities relating to prior year's restructuring actions of \$9 million were credited to costs of sales in the third quarter of 2003, primarily as a result of reduced costs to complete the closure of the Markham, Ontario facility and the related employee separations.

*Asset Impairment Charge*

During the fourth quarter of 2003, the Automotive Operations recorded a pre-tax, non-cash impairment write-down of \$407 million (\$260 million after-tax) in costs of sales to reduce the net book value of certain long-lived assets. This write-down was based on an assessment by product line asset group, completed in the fourth quarter of 2003, of the recoverability of our long-lived assets in light of the challenging environment in which we operate and as part of our business planning process for 2004 and beyond. This assessment included considering the substantial change in the production levels of Visteon's major customers and the related impact on our future operating projections, as well as the anticipated impact of the recently completed Ford agreements. Assets are considered impaired if the book value is greater than the undiscounted cash flows expected from the use of the asset. As a result of this analysis the assets of six product groupings were impaired: bumpers, fuel tanks, starters and alternators, steering columns, suspension systems, and wiper/ washer. The write-down was approximately \$300 million in North America and \$100 million in Europe and was determined on a "held for use" basis. Fair values were determined primarily based on prices for similar groups of assets determined by a third-party valuation firm.

VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — (Continued)

**NOTE 13. Special Charges — (Continued)**

*Seating Operations*

During the second quarter of 2003, Visteon finalized an agreement with Ford to transfer seat production located in Chesterfield, Michigan, to another supplier. As part of this agreement, about 1,470 Visteon-assigned Ford-UAW employees working at the Chesterfield, Michigan, facility transferred to Ford, and Visteon agreed to be responsible to reimburse Ford for the actual net costs of transferring seating production through June 2004, including costs related to Ford hourly employee voluntary retirement and separation programs that Ford is expected to implement, offset by certain cost savings expected to be realized by Ford. In addition, Visteon and the new supplier entered into a transitional services agreement under which Visteon would be reimbursed for certain engineering and other services.

Included in costs of sales and our operating results for 2003 is \$217 million related to the seating operations consisting of:

- \$114 million of payments to be made to Ford for the estimated costs of separating approximately 650 hourly Ford-UAW employees under Ford employee retirement and separation programs expected to be implemented by Ford during the transition process;
- \$60 million of net other contractually-committed cost payments to be made to Ford;
- \$25 million non-cash charge related to certain seating-related fixed assets, for which production activities will be discontinued and the future undiscounted cash flows are less than the carrying value of these fixed assets held for use. Visteon measured the impairment loss by comparing the carrying value of these fixed assets to the expected proceeds from disposal of the assets after completion of remaining production commitments.
- \$18 million related to operating losses incurred between the effective date of the agreements (April 1, 2003) and the date the agreements were finalized (June 23, 2003).

Based upon the terms in the agreement related to the \$174 million of payments to Ford, Visteon paid Ford about \$30 million in 2003. Visteon expects to pay about \$76 million during 2004. The remaining payments of about \$68 million are related to the separation program costs expected to be paid annually in equal installments over ten years with interest. The ultimate costs and cash payments related to this agreement depend on several factors including the actual net costs incurred during the seating production transition phase that is expected to conclude by June 2004. The most critical factors that impact this are the ultimate actual costs incurred related to the relocation, re-deployment and/or employment termination of the 1,470 Visteon-assigned Ford-UAW employees and the savings achieved by Ford (as defined in the agreement) resulting from resourcing production that will serve as an offset to the transition costs.

## VISTEON CORPORATION AND SUBSIDIARIES

## NOTES TO FINANCIAL STATEMENTS — (Continued)

**NOTE 13. Special Charges — (Continued)**

The original Hourly Employee Assignment Agreement between Visteon and Ford, entered into in connection with our separation from Ford, provided a mechanism for determining a cash settlement amount for postretirement health and life insurance benefits associated with Visteon-assigned Ford-UAW employees that transfer to Ford. Under this original agreement, Ford would assume the retiree health and life benefits for such employees and Visteon would reimburse Ford an amount equal to the SFAS 106 actuarially determined accumulated projected benefit obligation that was transferred to Ford. The agreement also provided that if the reimbursement related to such transfers exceeds \$10 million per year, then Visteon has the option to pay \$10 million in the first year and pay the balance in succeeding years in annual installments of at least \$5 million until the obligation is satisfied, with outstanding amounts bearing interest based on a variable rate equal to the 90-day Treasury Bill rate. During the second quarter of 2003, Visteon reclassified approximately \$148 million in postretirement benefits payable to Ford as an accrued liability based on the estimated SFAS 106 actuarially determined accumulated projected benefit obligation associated with the 1,470 Visteon-assigned Ford-UAW employees working at the Chesterfield, Michigan facility that were transferred to Ford. This amount will be adjusted in the future based upon final actuarial valuation results. At December 31, 2003, about \$138 million of this obligation is classified in the line "Other Liabilities" on the Consolidated Balance Sheet with the remainder in current accrued liabilities.

*2002 Actions*

Visteon recorded pre-tax special charges of \$223 million and after-tax special charges of \$407 million, with \$200 million in costs of sales and \$23 million in selling, administrative and other expenses, as summarized below:

|  | 2002          |           |
|--|---------------|-----------|
|  | Pre-tax       | After-tax |
|  | (in millions) |           |
| Restructuring and other charges:                       |               |           |
| 2002 actions*  | \$ 209        | \$ 134    |
| Adjustments to prior year's expenses                   | (12)          | (8)       |
| Total restructuring and other charges                  | 197           | 126       |
| Loss related to sale of restraint electronics business | 26            | 16        |
| Change in accounting, net of tax (Note 14)             | —             | 265       |
| Total special charges                                  | \$ 223        | \$ 407    |

\* 2002 amount includes \$5 million related to the write-down of inventory.

## VISTEON CORPORATION AND SUBSIDIARIES

## NOTES TO FINANCIAL STATEMENTS — (Continued)

**NOTE 13. Special Charges — (Continued)**

In the first quarter of 2002, Visteon recorded pre-tax charges of \$95 million related to the separation of 820 employees at Markham, Ontario, as a result of Visteon's decision to move nearly all of the non-restraint electronics business to facilities in Mexico, the elimination of about 215 engineering positions in the United States to reduce research and development costs, the closure of our Visteon Technologies facility in California and the related discontinuation of support for our aftermarket navigation systems product line, the closure of our Leatherworks facility in Michigan and the elimination of about 240 manufacturing positions in Mexico. Included in the \$95 million pre-tax charge is \$12 million of non-cash charges related to the write-down of equipment to be disposed of and the write-down of aftermarket navigation systems inventory. The engineering-related and Mexican manufacturing-related separations, and the closure of Visteon Technologies, were completed in the first quarter of 2002. The Leatherworks facility was closed in the third quarter of 2002. As of December 31, 2002, Visteon completed moving all of the non-restraint electronics business to other facilities and separated all Markham employees.

Effective April 1, 2002, Visteon completed the sale of its restraint electronics business to Autoliv, Inc. for \$25 million, resulting in a pre-tax charge in the first quarter of 2002 of \$26 million (\$16 million after-tax) recorded in costs of sales. The sale includes Visteon's North American and European order book of approximately \$150 million in annual sales to Ford and its affiliates, and associated manufacturing operations in Markham, Ontario, as well as related assets and liabilities. As part of the sale, approximately 280 employees from Markham and about 95 engineers from Dearborn, Michigan, transferred to Autoliv.

During the third quarter of 2002, Visteon recorded a pre-tax charge in costs of sales of \$26 million (\$17 million after-tax) related to restructuring manufacturing operations in the UK, Germany and France. Of this charge, \$10 million is related to the separation of about 138 hourly employees located at Visteon's plants in Germany through a special voluntary retirement and separation program. The remaining \$16 million is a non-cash impairment charge related to a group of machinery and equipment in Europe for which production activities will be discontinued and the future undiscounted cash flows are less than the carrying value of the assets held for use. Visteon measured the impairment loss by comparing the carrying value of these fixed assets to the expected proceeds from disposal of the assets after completion of remaining production commitments.

In the fourth quarter of 2002, Visteon recorded pre-tax charges of \$88 million (\$56 million after-tax), with \$65 million in costs of sales and \$23 million in selling, administrative and other expenses, related to restructuring actions. Of this charge, \$71 million is related to the separation of about 308 U.S. salaried employees through a special voluntary early retirement and separation program and \$14 million related to the separation of about 200 hourly employees located at Visteon's plants in Europe through a continuation of a special voluntary retirement and separation program started in the third quarter of 2002. The remaining balance of the charge is related to the elimination of about 189 manufacturing positions in Brazil and other minor actions. The separation of the 308 U.S. salaried employees was completed in 2003.

Accrued restructuring liabilities relating to prior year restructuring plans of \$5 million (\$3 million after-tax) and \$7 million (\$5 million after-tax) were credited to costs of sales in the first and fourth quarters of 2002, respectively, reflecting a change in estimated costs to complete these activities.

VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — (Continued)

**NOTE 13. Special Charges — (Continued)**

*2001 Actions*

During the second quarter of 2001, Visteon recorded pre-tax charges of \$158 million (\$100 million after-tax), of which \$146 million related to the elimination of more than 2,000 salaried positions, mainly in the United States, and \$12 million related to the closure of two European facilities, ZEM in Poland and Wickford in the U.K., and other actions. Of the total pre-tax charges, \$42 million is recorded in selling, administrative and other expenses and \$116 million is recorded in costs of sales.

During the third quarter of 2001, Visteon recorded a pre-tax charge of \$34 million (\$21 million after-tax) in costs of sales related to special voluntary retirement and separation programs offered to hourly employees located at Visteon's Nashville Glass plant. This action resulted in the separation of about 245 employees during the third quarter of 2001.

*Reserve Activity*

Reserve balances of \$45 million and \$37 million at December 31, 2003 and 2002, respectively, are included in current accrued liabilities on the accompanying balance sheets. The December 31, 2003, reserve balance of \$45 million includes \$2 million related to 2002 restructuring activities. Visteon currently anticipates that the restructuring activities to which all of the above charges relate will be substantially completed by the end of 2004.

|                                      | Automotive Operations |       | Glass Operations |       |
|--------------------------------------|-----------------------|-------|------------------|-------|
|                                      | Employee-Related      | Other | Employee-Related | Total |
|                                      | (in millions)         |       |                  |       |
| December 31, 2001 reserve balances   | \$ 17                 | \$ —  | \$ 6             | \$ 23 |
| First quarter 2002 actions           | 81                    | 14    | —                | 95    |
| Third quarter 2002 actions           | 10                    | 16    | —                | 26    |
| Fourth quarter 2002 actions          | 83                    | —     | 5                | 88    |
| Adjustments to prior year's expenses | (9)                   | —     | (3)              | (12)  |
| Total net expense                    | 165                   | 30    | 2                | 197   |
| Utilization                          | (147)                 | (30)  | (7)              | (184) |
| Foreign exchange translation         | 1                     | —     | —                | 1     |
| December 31, 2002 reserve balances   | 36                    | —     | 1                | 37    |
| First quarter 2003 actions           | 26                    | 4     | 1                | 31    |
| Second quarter 2003 actions          | 49                    | —     | —                | 49    |
| Third quarter 2003 actions           | 11                    | —     | —                | 11    |
| Fourth quarter 2003 actions          | 43                    | —     | —                | 43    |
| Adjustments to prior year's expenses | (8)                   | —     | (1)              | (9)   |
| Total net expense                    | 121                   | 4     | —                | 125   |
| Utilization                          | (117)                 | (4)   | (1)              | (122) |
| Foreign exchange translation         | 5                     | —     | —                | 5     |
| December 31, 2003 reserve balances   | \$ 45                 | \$ —  | \$ —             | \$ 45 |

VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — (Continued)

**NOTE 13. Special Charges — (Continued)**

Utilization for 2003 of \$122 million includes \$97 million of cash payments mainly for severance pay, \$21 million incurred related to special pension and other postretirement benefits and \$4 million related to the non-cash write-down of certain plant assets. Utilization for 2002 of \$184 million includes \$111 million incurred related to special pension and other postretirement benefits, \$43 million of cash payments mainly for severance pay, \$28 million related to the non-cash write-down of certain plant assets and inventory and \$2 million of cash payments for other exit costs.

In June 2002, the FASB issued Financial Accounting Standards No. 146 ("SFAS 146"), "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 requires recognition of costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing or other exit or disposal activity. The provisions of the new standard are effective for restructuring, exit or disposal activities initiated after December 31, 2002. The effect of adopting SFAS 146 on Visteon's results of operations or financial position as of December 31, 2003 was not material, although SFAS 146 may impact the timing of recognition of costs associated with future restructuring, exit or disposal activities.

**NOTE 14. Accounting Change**

Effective January 1, 2002, Visteon adopted Financial Accounting Standards No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets." SFAS 142 no longer permits amortization of goodwill and establishes a new method of testing goodwill for impairment by using a fair-value based approach. Goodwill is related primarily to the acquisition of the interiors division of Compagnie Plastic Omnium and the increase of Visteon's ownership in Halla Climate Corporation to 70% by purchasing an additional 35%, both of which occurred in 1999.

SFAS 142 requires goodwill to be evaluated for possible impairment as of January 1, 2002, and periodically thereafter, using a fair-value approach. An initial test for goodwill impairment using a fair-value approach was performed for the Automotive Operations reporting unit by comparing the estimated fair value of our Automotive Operations reporting unit to its net book value. Visteon's stock market capitalization, as well as market multiples and other factors, were used as the basis for determining the fair value of the Automotive Operations reporting unit. Because the fair value of the Automotive Operations reporting unit was considered less than its net book value, Visteon recorded an impairment loss on goodwill of \$363 million (\$265 million after-tax) as a cumulative effect of change in accounting principle in the first quarter of 2002. The pre-tax impairment loss consists of \$357 million of net goodwill as of December 31, 2001, and \$6 million reclassified to goodwill related to certain acquired intangible assets, as required by SFAS 142.

**VISTEON CORPORATION AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**

**NOTE 14. Accounting Change — (Continued)**

The following presents net (loss) and (loss) per share, adjusted to reflect the adoption of the non-amortization provisions of SFAS 142, as of the beginning of the periods presented:

|   | 2003                                    | 2002             | 2001             |
|---|---|------------------|------------------|
|   | (in millions, except per share amounts) |                  |                  |
| <b>Net (Loss)</b>                           |   |                  |                  |
| Reported net (loss)                         | \$ (1,213)                              | \$ (352)         | \$ (118)         |
| Goodwill amortization, net of tax           | —                                       | —                | 17               |
| Adjusted net (loss)                         | <u>\$ (1,213)</u>                       | <u>\$ (352)</u>  | <u>\$ (101)</u>  |
| <b>(Loss) Per Share — Basic and Diluted</b> |   |                  |                  |
| Reported (loss) per share                   | \$ (9.65)                               | \$ (2.75)        | \$ (0.91)        |
| Goodwill amortization, net of tax           | —                                       | —                | 0.13             |
| Adjusted (loss) per share                   | <u>\$ (9.65)</u>                        | <u>\$ (2.75)</u> | <u>\$ (0.78)</u> |

**NOTE 15. Cash Flows**

The reconciliation of net (loss) to cash flows provided by operating activities is as follows:

|   | 2003          | 2002            | 2001          |
|---|---------------|-----------------|---------------|
|   | (in millions) |                 |               |
| Net (loss)  | \$ (1,213)    | \$ (352)        | \$ (118)      |
| Adjustment to reconcile net (loss) to cash flows from operating activities: |               |                 |               |
| Cumulative effect of change in accounting, net of tax                       | —             | 265             | —             |
| Depreciation and amortization   | 674           | 631             | 666           |
| Asset impairment charges  | 436           | —               | —             |
| Loss on divestitures  | —             | 26              | —             |
| Earnings of affiliated companies in excess of dividends remitted            | (20)          | (28)            | (12)          |
| Benefit for deferred income taxes   | (56)          | (142)           | (143)         |
| Sale of receivables   | 5             | 10              | —             |
| Changes in assets and liabilities:  |               |                 |               |
| Decrease (increase) in accounts receivable and other current assets         | (39)          | 276             | (197)         |
| Decrease in inventory   | 143           | 85              | 86            |
| Increase (decrease) in accounts payable, accrued and other liabilities      | (13)          | 49              | (185)         |
| Increase in postretirement benefits other than pensions                     | 376           | 258             | 256           |
| Other   | 77            | 23              | 83            |
| Cash flows provided by operating activities                                 | <u>\$ 370</u> | <u>\$ 1,101</u> | <u>\$ 436</u> |

Cash paid for interest and income taxes was as follows:

|              | 2003          | 2002   | 2001   |
|--------------|---------------|--------|--------|
|              | (in millions) |        |        |
| Interest     | \$ 94         | \$ 120 | \$ 131 |
| Income taxes | 75            | 80     | 44     |

VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS — (Continued)

**NOTE 16. Information Technology Agreement**

Since our separation from Ford, Ford has provided us with and charged us for many of our information technology needs. In January 2003, we entered into a 10-year outsourcing agreement with International Business Machines (“IBM”) pursuant to which we will outsource most of our IT needs on a global basis, including mainframe support services, data centers, customer support centers, application development and maintenance, data network management, desktop support, disaster recovery and web hosting. The service charges under the outsourcing agreement are expected to aggregate about \$2 billion during the ten-year initial term of the agreement, subject to decreases and increases in the service charges based on Visteon’s actual consumption of services to meet its then current business needs. The outsourcing agreement may be terminated also for Visteon’s business convenience after our second full year under the agreement for a scheduled termination fee.

**NOTE 17. Segment Information**

Financial Accounting Standards No. 131, “Disclosures about Segments of an Enterprise and Related Information,” establishes standards for reporting information about operating segments in annual financial statements and requires reporting selected information about operating segments in interim financial reports. It also establishes standards for related disclosures about products and services and geographic operations.

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-makers, or a decision-making group, in deciding how to allocate resources and in assessing performance. Visteon’s chief operating decision-making group is the Strategy Council, which is comprised of the Chairman and Chief Executive Officer and several other executives.

Visteon’s organization is focused on customer business groups, and supported by centralized product development, manufacturing and administrative functions. Consistent with this organization, Visteon’s reportable operating segments are Automotive Operations and Glass Operations. Automotive Operations provides various automotive systems and components mainly to OEM customers; Glass Operations supplies architectural and flat glass to a broad customer base, including OEMs.

**VISTEON CORPORATION AND SUBSIDIARIES**
**NOTES TO FINANCIAL STATEMENTS — (Continued)**
**NOTE 17. Segment Information — (Continued)**

The accounting policies for the operating segments are the same as those described in Note 2, "Accounting Policies," of our consolidated financial statements. Income (loss) before income taxes is the primary profitability measure used by our chief operating decision-makers, both including and excluding the effects of special charges. Special charges are discussed further in Notes 5, 13 and 14 of our consolidated financial statements. Financial information for the reportable operating segments is summarized as follows:

|   | Automotive<br>Operations | Glass<br>Operations | Total<br>Visteon |
|---|--------------------------|---------------------|------------------|
|   | (in millions)            |                     |                  |
| <b>2003</b>   |                          |                     |                  |
| Sales   | \$ 17,097                | \$ 563              | \$ 17,660        |
| (Loss) before income taxes                            | (1,142)                  | (8)                 | (1,150)          |
| Net (loss)  | (1,205)                  | (8)                 | (1,213)          |
| Special charges:                                      |                          |                     |                  |
| Before taxes  | 749                      | —                   | 749              |
| After taxes   | 942                      | 5                   | 947              |
| Depreciation/amortization                             | 667                      | 7                   | 674              |
| Capital expenditures                                  | 870                      | 9                   | 879              |
| Unconsolidated affiliates:                            |                          |                     |                  |
| Equity in net income                                  | 51                       | 4                   | 55               |
| Investments in  | 195                      | 20                  | 215              |
| Total assets, end of period                           | 10,706                   | 258                 | 10,964           |
| <b>2002</b>   |                          |                     |                  |
| Sales   | \$ 17,797                | \$ 598              | \$ 18,395        |
| Income (loss) before income taxes                     | (138)                    | 21                  | (117)            |
| Cumulative effect of change in accounting, net of tax | 265                      | —                   | 265              |
| Net income (loss)                                     | (367)                    | 15                  | (352)            |
| Special charges:                                      |                          |                     |                  |
| Before taxes  | 221                      | 2                   | 223              |
| After taxes, excluding change in accounting           | 141                      | 1                   | 142              |
| Depreciation/amortization                             | 625                      | 6                   | 631              |
| Capital expenditures                                  | 716                      | 7                   | 723              |
| Unconsolidated affiliates:                            |                          |                     |                  |
| Equity in net income                                  | 39                       | 5                   | 44               |
| Investments in  | 171                      | 20                  | 191              |
| Total assets, end of period                           | 10,908                   | 262                 | 11,170           |
| <b>2001</b>   |                          |                     |                  |
| Sales   | \$ 17,222                | \$ 621              | \$ 17,843        |
| (Loss) before income taxes                            | (110)                    | (59)                | (169)            |
| Net (loss)  | (83)                     | (35)                | (118)            |
| Special charges:                                      |                          |                     |                  |
| Before taxes  | 142                      | 50                  | 192              |
| After taxes   | 90                       | 31                  | 121              |
| Depreciation/amortization                             | 661                      | 5                   | 666              |
| Capital expenditures                                  | 744                      | 8                   | 752              |
| Unconsolidated affiliates:                            |                          |                     |                  |
| Equity in net income                                  | 19                       | 5                   | 24               |
| Investments in  | 140                      | 18                  | 158              |
| Goodwill, end of period                               | 363                      | —                   | 363              |
| Total assets, end of period                           | 10,853                   | 309                 | 11,162           |

## VISTEON CORPORATION AND SUBSIDIARIES

## NOTES TO FINANCIAL STATEMENTS — (Continued)

## NOTE 17. Segment Information — (Continued)

Visteon's major geographic areas are the United States, Europe and Asia Pacific. Other geographic areas (primarily Canada, Mexico and South America) individually are not material. Financial information segregated by geographic area is as follows:

| Geographic Areas | United States | Europe   | Asia-Pacific | All Other | Total Visteon |
|------------------|---------------|----------|--------------|-----------|---------------|
| (in millions)    |               |          |              |           |               |
| <b>2003</b>      |               |          |              |           |               |
| Sales            | \$ 11,852     | \$ 3,209 | \$ 1,454     | \$ 1,145  | \$ 17,660     |
| Net property     | 3,008         | 1,500    | 442          | 419       | 5,369         |
| <b>2002</b>      |               |          |              |           |               |
| Sales            | \$ 13,093     | \$ 2,878 | \$ 1,249     | \$ 1,175  | \$ 18,395     |
| Net property     | 3,196         | 1,404    | 407          | 436       | 5,443         |
| <b>2001</b>      |               |          |              |           |               |
| Sales            | \$ 12,677     | \$ 2,781 | \$ 1,084     | \$ 1,301  | \$ 17,843     |
| Net property     | 3,179         | 1,249    | 411          | 490       | 5,329         |

Visteon's sales by group of similar products is as follows:

| Product Groups                     | 2003      | 2002      |
|------------------------------------|-----------|-----------|
| (in millions)                      |           |           |
| Automotive Operations              |           |           |
| Chassis Products & Systems         | \$ 4,390  | \$ 4,544  |
| Interior Products & Systems        | 3,653     | 3,982     |
| Climate Control Products & Systems | 3,848     | 3,786     |
| Powertrain Products & Systems      | 3,144     | 3,320     |
| Electronic Products & Systems      | 2,091     | 2,233     |
| Exterior Products & Systems        | 801       | 814       |
| Eliminations                       | (830)     | (882)     |
| Total Automotive Operations        | 17,097    | 17,797    |
| Glass Operations                   | 563       | 598       |
| Total Visteon                      | \$ 17,660 | \$ 18,395 |

## VISTEON CORPORATION AND SUBSIDIARIES

## NOTES TO FINANCIAL STATEMENTS — (Continued)

## NOTE 18. Summary Quarterly Financial Data (Unaudited)

|                                   | 2003          |                |               |   | 2002          |                |               |                |
|-----------------------------------|---------------|----------------|---------------|---|---------------|----------------|---------------|----------------|
|                                   | First Quarter | Second Quarter | Third Quarter | Fourth Quarter                          | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|                                   |               |                |               |   |               |                |               |                |
|                                   |               |                |               | (in millions, except per share amounts) |               |                |               |                |
| Sales                             | \$ 4,704      | \$ 4,613       | \$ 3,884      | \$ 4,459                                | \$ 4,469      | \$ 5,039       | \$ 4,344      | \$ 4,543       |
| Operating income (loss)           | (15)          | (251)          | (257)         | (605)                                   | (89)          | 127            | (75)          | (44)           |
| Income (loss) before income taxes | (19)          | (256)          | (264)         | (611)                                   | (107)         | 117            | (78)          | (49)           |
| Net income (loss)                 | (15)          | (167)          | (168)         | (863)                                   | (338)         | 72             | (52)          | (34)           |
| Earnings (loss) per share         | \$ (0.12)     | \$ (1.33)      | \$ (1.34)     | \$ (6.87)                               | \$ (2.63)     | \$ 0.56        | \$ (0.40)     | \$ (0.27)      |

As discussed further in Note 13 of our consolidated financial statements, Visteon recorded pre-tax charges of \$31 million, \$266 million, \$2 million and \$450 million in the first quarter, second quarter, third quarter and fourth quarter of 2003, respectively, related to asset impairment charges, exit of the North American seating operations, restructuring and other actions. Results for the fourth quarter of 2003 include income tax expense of \$468 million related to recording income tax valuation allowances, which are discussed further in Note 5 of our consolidated financial statements.

As discussed further in Note 13 of our consolidated financial statements, Visteon recorded pre-tax charges of \$116 million, \$26 million and \$81 million in the first quarter, third quarter and fourth quarter of 2002, respectively, related to restructuring actions and the sale of the restraint electronics business. As discussed further in Note 14 of our consolidated financial statements, results for the first quarter of 2002 include an impairment loss on goodwill of \$363 million (\$265 million after-tax) as a cumulative effect of change in accounting principle.

## VISTEON CORPORATION AND SUBSIDIARIES

## SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

|  | Balance at<br>Beginning<br>of Year | Additions<br>Charged to<br>Income | Deductions <sup>(a)</sup> | Other <sup>(b)</sup> | Balance<br>at End<br>of Year |
|--|------------------------------------|-----------------------------------|---------------------------|----------------------|------------------------------|
| (in millions)                          |                                    |                                   |                           |                      |                              |
| <b>Year Ended December 31, 2003:</b>   |                                    |                                   |                           |                      |                              |
| Allowance for doubtful accounts        | \$ 24                              | \$ 24                             | \$ (13)                   | \$ —                 | \$ 35                        |
| Valuation Allowance for deferred taxes | 21                                 | 472                               | —                         | 37                   | 530                          |
| <b>Year Ended December 31, 2002:</b>   |                                    |                                   |                           |                      |                              |
| Allowance for doubtful accounts        | \$ 19                              | \$ 13                             | \$ (8)                    | \$ —                 | \$ 24                        |
| Valuation allowance for deferred taxes | —                                  | 21                                | —                         | —                    | 21                           |
| <b>Year Ended December 31, 2001:</b>   |                                    |                                   |                           |                      |                              |
| Allowance for doubtful accounts        | \$ 22                              | \$ 11                             | \$ (14)                   | \$ —                 | \$ 19                        |
| Valuation allowance for deferred taxes | —                                  | —                                 | —                         | —                    | —                            |

(a) Deductions represent uncollectible accounts charged off, net of recoveries.

(b) Other represents adjustment to other comprehensive income.

**EXHIBIT INDEX**

| <b>Exhibit Number</b> | <b>Exhibit Name</b>  |
|-----------------------|--|
| 3.1                   | Amended and Restated Certificate of Incorporation of Visteon Corporation (“Visteon”) is incorporated herein by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q of Visteon dated July 24, 2000.   |
| 3.2                   | Amended and Restated By-laws of Visteon as in effect on the date hereof is incorporated herein by reference to Exhibit 3.2 to the Quarterly Report on Form 10-Q of Visteon dated November 14, 2001.  |
| 4.1                   | Indenture dated as of June 23, 2000 between Visteon and Bank One Trust Company, N.A., as Trustee, is incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K of Visteon dated July 31, 2000 (filed August 16, 2000).                                   |
| 4.2                   | Form of Common Stock Certificate of Visteon is incorporated herein by reference to Exhibit 4.1 to Amendment No. 1 to the Registration Statement on Form 10 of Visteon dated May 19, 2000.  |
| 10.1                  | Master Transfer Agreement dated as of March 30, 2000 between Visteon and Ford Motor Company (“Ford”) is incorporated herein by reference to Exhibit 10.2 to the Registration Statement on Form S-1 of Visteon dated June 2, 2000 (File No. 333-38388).                           |
| 10.2                  | Purchase and Supply Agreement dated as of December 19, 2003 between Visteon and Ford.†   |
| 10.3                  | 2003 Relationship Agreement dated December 19, 2003 between Visteon and Ford.  |
| 10.4                  | Master Separation Agreement dated as of June 1, 2000 between Visteon and Ford is incorporated herein by reference to Exhibit 10.4 to Amendment No. 1 to the Registration Statement on Form S-1 of Visteon dated June 6, 2000 (File No. 333-38388).                               |
| 10.5                  | Aftermarket Relationship Agreement dated as of January 1, 2000 between Visteon and the Automotive Consumer Services Group of Ford is incorporated herein by reference to Exhibit 10.5 to Amendment No. 1 to the Registration Statement on Form 10 of Visteon dated May 19, 2000. |
| 10.6                  | Amended and Restated Hourly Employee Assignment Agreement dated as of April 1, 2000, as amended and restated as of December 19, 2003, between Visteon and Ford.  |
| 10.7                  | Amended and Restated Employee Transition Agreement dated as of April 1, 2000, as amended and restated as of December 19, 2003, between Visteon and Ford.   |
| 10.8                  | Tax Sharing Agreement dated as of June 1, 2000 between Visteon and Ford is incorporated herein by reference to Exhibit 10.8 to the Registration Statement on Form S-1 of Visteon dated June 2, 2000 (File No. 333-38388).  |
| 10.9                  | Visteon Corporation 2000 Incentive Plan is incorporated herein by reference to Appendix E to the Proxy Statement of Visteon dated March 26, 2001.*   |
| 10.10                 | Form of Revised Change in Control Agreement is incorporated herein by reference to Exhibit 10.10 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2000.*   |
| 10.10.1               | Schedule identifying substantially identical agreements to Revised Change in Control Agreement constituting Exhibit 10.10 hereto entered into by Visteon with Messrs. Pestillo, Johnston, Coulson, Orchard, Chatterjee and Marcin, and Ms. Fox.*                                 |

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| Exhibit<br>Number | Exhibit Name  |
|-------------------|---|
| 10.11             | Issuing and Paying Agency Agreement dated as of June 5, 2000 between Visteon and The Chase Manhattan Bank is incorporated herein by reference to Exhibit 10.11 to the Quarterly Report on Form 10-Q of Visteon dated July 24, 2000.   |
| 10.12             | Corporate Commercial Paper — Master Note dated June 1, 2000 is incorporated herein by reference to Exhibit 10.12 to the Quarterly Report on Form 10-Q of Visteon dated July 24, 2000.   |
| 10.13             | Letter Loan Agreement dated as of June 12, 2000 from The Chase Manhattan Bank is incorporated herein by reference to Exhibit 10.13 to the Quarterly Report on Form 10-Q of Visteon dated July 24, 2000.   |
| 10.14             | Visteon Corporation Deferred Compensation Plan for Non-Employee Directors, as amended.*   |
| 10.15             | Visteon Corporation Restricted Stock Plan for Non-Employee Directors, as amended.*  |
| 10.16             | Visteon Corporation Deferred Compensation Plan, as amended, is incorporated herein by reference to Exhibit 10.16 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2002.*  |
| 10.17             | Visteon Corporation Savings Parity Plan is incorporated herein by reference to Exhibit 10.17 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2002.*  |
| 10.18             | Visteon Corporation Pension Parity Plan is incorporated herein by reference to Exhibit 10.18 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2002.*  |
| 10.19             | Visteon Corporation Supplemental Executive Retirement Plan is incorporated herein by reference to Exhibit 10.19 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2002.*   |
| 10.20             | Executive Employment Agreement dated as of September 15, 2000 between Visteon and Michael F. Johnston is incorporated herein by reference to Exhibit 10.20 to the Annual Report on Form 10-K for the period ended December 31, 2001.*   |
| 10.21             | Service Agreement dated as of November 1, 2001 between Visteon International Business Development, Inc., a wholly-owned subsidiary of Visteon, and Dr. Heinz Pfannschmidt is incorporated herein by reference to Exhibit 10.21 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2002.*  |
| 10.22             | Visteon Corporation Executive Separation Allowance Plan is incorporated herein by reference to Exhibit 10.22 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2002.*  |
| 10.23             | Trust Agreement dated as of February 7, 2003 between Visteon and The Northern Trust Company establishing a grantor trust for purposes of paying amounts to certain executive officers under the plans constituting Exhibits 10.14, 10.16, 10.17, 10.18, 10.19 and 10.22 hereto is incorporated herein by reference to Exhibit 10.23 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2002.*             |
| 10.24             | Five-Year Revolving Loan Credit Agreement dated as of June 20, 2002 among Visteon, the several banks and other financial institutions or entities from time to time parties to the agreement, JPMorgan Chase Bank, as administrative agent, and Bank of America N.A., as syndication agent, is incorporated herein by reference to Exhibit 10.24 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2002. |

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| Exhibit Number | Exhibit Name   |
|----------------|--|
| 10.25          | 364-Day/1-Year Term-Out Credit Agreement dated as of June 19, 2003 among Visteon, the several banks and other financial institutions or entities from time to time parties to the agreement, JPMorgan Chase Bank, as administrative agent, and Citibank N.A., as syndication agent, is incorporated herein by reference to Exhibit 10.25 to the Quarterly Report on Form 10-Q of Visteon dated July 29, 2003.                    |
| 10.26          | Five-Year Term Loan Credit Agreement dated as of June 25, 2002 among Visteon, the several banks and other financial institutions or entities from time to time parties to the agreement, JPMorgan Chase Bank, as administrative agent, and Bank of America N.A., as syndication agent, is incorporated herein by reference to Exhibit 10.26 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2002. |
| 10.27          | Pension Plan Agreement effective as of November 1, 2001 between Visteon Holdings GmbH, a wholly-owned subsidiary of Visteon, and Dr. Heinz Pfannschmidt is incorporated herein by reference to Exhibit 10.27 to the Quarterly Report on Form 10-Q of Visteon dated May 7, 2003.*   |
| 10.28          | Hourly Employee Conversion Agreement dated as of December 22, 2003 between Visteon and Ford.   |
| 10.29          | Employment Agreement effective as of January 1, 2004 between Visteon and Daniel R. Coulson.*   |
| 12.1           | Statement re: Computation of Ratios.   |
| 14             | A Pledge of Integrity (code of ethics).  |
| 21.1           | Subsidiaries of Visteon.   |
| 23.1           | Consent of Independent Accountants, PricewaterhouseCoopers LLP.  |
| 24.1           | Powers of Attorney relating to execution of this Annual Report on Form 10-K.   |
| 31.1           | Rule 13a-14(a) Certification of Chief Executive Officer dated February 13, 2004.   |
| 31.2           | Rule 13a-14(a) Certification of Chief Financial Officer dated February 13, 2004.   |
| 32.1           | Section 1350 Certification of Chief Executive Officer dated February 13, 2004.   |
| 32.2           | Section 1350 Certification of Chief Financial Officer dated February 13, 2004.   |
| 99.1           | Risk Factors.  |

† Portions of this exhibit have been redacted and are subject to a confidential treatment request filed with the Secretary of the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. The redacted material was filed separately with the Securities and Exchange Commission.

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

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.

PURCHASE AND SUPPLY AGREEMENT

BETWEEN

VISTEON CORPORATION

AND

FORD MOTOR COMPANY

December 19, 2003

PURCHASE AND SUPPLY AGREEMENT

This Purchase and Supply Agreement ("Agreement") dated as of December 19, 2003 (the "Effective Date") is entered into by and between Visteon Corporation, a Delaware corporation ("Visteon"), and Ford Motor Company ("Ford"), a Delaware corporation. Each of Ford and Visteon is herein referred to as a "Party" and collectively, the "Parties."

RECITALS

A. Ford and Visteon entered into a Purchase and Supply Agreement dated as of January 1, 2000 (the "Original Agreement") covering the purchase from Visteon and supply to Ford and its subsidiaries and affiliates worldwide of motor vehicle-related components and systems.

B. The Parties intend to terminate the Original Agreement as to all Components and to substitute this Agreement for the Original Agreement as to such Components.

C. It is the intent of this Agreement that Visteon and Ford achieve the following common goals:

- that Visteon achieves the goal of becoming a profitable and growing business and remains a top quality supplier to Ford;
- that Ford achieve competitive price reductions and competitive prices from Visteon over time, contributing to Ford's profitable growth;
- that Ford and Visteon work collaboratively to meet the commitments made in the Master Agreement; and
- that Ford and Visteon establish a basic framework for working cooperatively on their ongoing commercial relationship.

The Parties acknowledge that Visteon must achieve and maintain competitiveness as described in this Agreement in order for it to become profitable and grow, and in order for Ford and others to be able to source Visteon with products. While no specific targets for maintenance of Existing Business or sourcing of New Business have been established herein, the Parties acknowledge that Visteon needs to grow its business from non-Ford customers and maintain sufficient sourcing from Ford to support the business objectives of both Parties.

D. The Parties are entering into this Agreement in good faith anticipating that the parties will achieve the intentions set forth above. If, during the term of this Agreement, it appears that the intentions of the Parties as described above are not being, or are not likely to be, met in some material respect or that the financial results of either Party resulting from implementation of this Agreement are materially different from the financial results anticipated by the Parties, then the Parties will discuss in good faith the underlying reasons and present an analysis and recommendations for any actions to be taken to the Governance Council; provided, however, that neither Party shall be obligated to take any action as a result thereof.

NOW, THEREFORE, in consideration of the mutual promises contained in this Agreement and intending to be legally bound, Visteon and Ford agree:

1. DEFINED TERMS

1.1 All terms with initial capitalization used herein shall have the following definitions unless specifically stated otherwise.

"AAI" means AutoAlliance International, Inc.

"AFFILIATE" means any Person directly or indirectly Controlling, Controlled by, or under common Control with, such Person. For purposes of this definition, the terms Control, Controlling, and Controlled mean having the right to elect a majority of the board of directors or other comparable body responsible for management and direction of a Person by contract or by virtue of share ownership.

"ANNUAL VOLUME" has the meaning specified in Section 6.1.

"CAPITAL INVESTMENT" has the meaning specified in Section 8.1.

"COMMODITY GROUP" means the groups of commodities listed on Exhibit IA attached hereto. Ford may modify such list from time to time. The commodities that are included in each Commodity Group will be determined by Ford.

"COMPETITIVE" means a Visteon quote that, excluding the Labor Differential Uplift and any investment sharing pursuant to Article 8, is equal to or better than that of the supplier to which the business would be awarded if Visteon were not awarded the business; provided that comparisons of quotes will be with other full service suppliers where Visteon is being asked to act as a full service supplier and comparisons should be made on a systems or component basis consistent with how Visteon has been asked to quote. Factors to be considered in the determination of Competitiveness include, but are not limited to, Price Competitiveness, quality, warranty costs, service, delivery and design/technology. These requirements are consistent with those to which other comparable suppliers are held when sourcing decisions are being made.

"COMPETITIVE BID MINUTES" has the meaning specified in Section 6.1.

"COMPETITIVE GAP" has the meaning specified in Section 4.1.

"COMPETITIVE GAP CLOSURE PLAN" has the meaning specified in Section 4.1.

"COMPONENTS" means motor-vehicle-related parts, components and systems that are produced by Visteon or its wholly-owned subsidiaries (or its Affiliates to the extent production comes from Master Agreement Plants(1)) in North America that are shipped directly to Ford facilities in North America or to AAI for use in vehicles that are sold under the Ford, Lincoln or Mercury brand. In addition to the above, for purposes of Articles 3 and 6 only, the term "Components" shall include all motor vehicle related parts, components and systems produced by Visteon in North America that are supplied by Visteon to Ford Tier 1 Suppliers where such components are sold to Ford or its wholly-owned subsidiaries for use in Ford, Lincoln and Mercury-branded vehicles.

Notwithstanding anything to the contrary in the foregoing paragraph, parts, components and systems that are (i) produced by Visteon Affiliates (other than its wholly-owned subsidiaries) from facilities that are not Master Agreement Plants or (ii) are covered by the FCSD Agreement, are not considered "Components"; provided that to the extent that the purchase and supply of Service Parts (as that term is defined in the FCSD Agreement) are governed by the Original Agreement pursuant to Section 1 of the FCSD Agreement, then such Service Parts shall be deemed "Components" under this Agreement and the Original Agreement shall no longer govern the purchase and supply such Service Parts.

- -----  
(1) For avoidance of doubt, as of the Effective Date, there are no Visteon Affiliates who produce Components from Master Agreement Plants.

"CONFIDENTIAL INFORMATION" has the meaning specified in Section 17.1.

"DAMAGES" means any and all obligations, liabilities, damages, penalties, deficiencies, losses, judgments, costs and expenses (including, but not limited to, costs and expenses incurred in connection with performing obligations, interest, bonding and appellate costs and reasonable attorneys', accountants', engineers' and investigators' fees and disbursements), in each case, after the application of any and all amounts recovered under insurance contracts or similar arrangements and from third parties by the person claiming indemnity.

"DEFAULTING PARTY" has the meaning specified in Section 15.1.

"DESIGN CHANGE" means any change to the physical Component, its performance, or its interface with other parts or systems that results in a change to the part number.

"EFFECTIVE DATE" means the date of this Agreement as specified in the opening paragraph of this Agreement.

"EFFICIENT DIRECT LABOR HEADS" has the meaning specified in Section 6.1.

"EFFICIENT INDIRECT LABOR HEADS" has the meaning specified in Section 6.1.

"EFFICIENT MANNING" has the meaning specified in Section 6.1.

"EVENT OF DEFAULT" has the meaning specified in Section 15.1.

"EXCUSABLE DELAY" means a delay or failure to perform directly due to an Excusable Event. An "EXCUSABLE EVENT" is a cause or event beyond the reasonable control of a party that is not attributable to its fault or negligence. Excusable Events include fire, flood, earthquake, and other extreme natural events, acts of God, riots, civil disorders, labor problems (including strikes, lockouts, and slowdowns regardless of their lawfulness), and war or acts of terrorism whether or not declared as such by a government. In every case, other than those relating to labor problems, the failure to perform must be beyond the reasonable control, and not attributable to the fault or negligence, of the party claiming the Excusable Event. Excusable Events also include delays or non-performance of a subcontractor, agent or supplier of a party only if and only to the extent that the cause or event would be an Excusable Event as defined herein. Excusable Events do not include the failure to comply with applicable law or to take actions reasonably necessary to schedule performance in anticipation of any customs, export-import, or other government requirement of which public notice has been given.

"EXISTING BUSINESS" means all Components that are the subject of an Existing Agreement.

"EXISTING AGREEMENTS" means all Purchase Orders, Long Term Supply Agreements, Target Agreements, and Sourcing Agreements with Pricing in existence as of the Effective Date entered into by Ford and its applicable Affiliates and by Visteon with respect to Components.

"EXISTING VEHICLE" means a vehicle using Components that is produced by Ford or one of its Affiliates in North America or, if Ford, Lincoln or Mercury-branded, by AAI, that is in existence as of the Effective Date.

"FCSD AGREEMENT" means that certain Relationship Agreement dated as of January 1, 2000 between Automotive Consumer Services Group of Ford (now known as Ford Customer Services Division) and Visteon.

"FORD BUY TURNOVER" has the meaning specified in Section 3.1.

"FORD CARRYOVER FROZEN TURNOVER" has the meaning specified in Section 3.1.

"FORD MASTER AGREEMENT WORKERS" has the meaning specified in Section 6.2.

"FORD TIER 1 SUPPLIER" means a supplier who directly provides goods and services to Ford including (a) production and service parts, components, assemblies and accessories; (b) raw materials; (c) tooling; and (d) design, engineering or other services that are covered by the Global Terms.

"FORD'S COST OPTIMIZATION MODEL" has the meaning specified in Section 6.1.

"GEN" means Guaranteed Employment Number and refers to the program as agreed in the Master Agreement.

"GEN ASSISTANCE PROGRAM" has the meaning specified in Section 7.2.

"GLOBAL TERMS" means the terms and conditions set forth in Ford's standard purchase order (PPGTC January 1, 2004) and any revisions made by Ford to such standard purchase order terms and conditions that are generally applicable to Ford's suppliers.

"GOOD CAUSE" means:

- (i) A demonstrable decline in quality, service or delivery of Visteon's Components, or a Commodity Group in general, as identified either in accordance with the applicable Purchase Order(s) or then-current Q1 revocation thresholds; or
- (ii) The ability of Ford to substitute supplies of significantly advanced design, technology and/or processing (as determined by Ford's Product Development activity); or
- (iii) An upward re-pricing on the applicable Component, excluding mutually agreed price increases related to (a) approved design changes as permitted under Section 5.1 or (b) other mutually agreed reasons; or
- (iv) default, within the prior twelve months, of a commitment by Visteon to adhere to a Competitive Gap Closure Plan for a given Component or Commodity Group. Such commitments will be in writing. The Existing Business on which the Parties have agreed as of the Effective Date to a Competitive Gap Closure Plan is listed on Exhibit 3.1 hereto; or
- (v) Material default by Visteon under the terms of a Purchase Order.

"GOVERNANCE COUNCIL" means the Governance Council established pursuant to the Relationship Agreement.

"INCREMENTAL NEW BUSINESS" means all New Business that is not defined as Replacement New Business.

"LABOR DIFFERENTIAL" means the cost differential incurred by paying Ford Master Agreement Workers, at Efficient Manning levels, at Master Agreement Wage Rates rather than Supplier UAW Wage Rates.

"LABOR DIFFERENTIAL UPLIFT" means the amount reimbursed by Ford to Visteon to compensate it for the Labor Differential, which amount is calculated pursuant to the formula set forth in Section 6.1.

"LONG TERM SUPPLY AGREEMENT" means a multiple-year contract with a supplier committing Ford to procure and the supplier to supply goods or services for a specified time period on specified terms.

"MASTER AGREEMENT" means the collective bargaining agreement and all supplements thereto between Ford and the UAW dated September 15, 2003.

"MASTER AGREEMENT JOB #1 ECONOMICS" has the meaning specified in Section 6.1.

"MASTER AGREEMENT PLANT" means a Visteon facility, including a Visteon Affiliate's facility, where some or all of its hourly employees are represented by the UAW under the Master Agreement.

"MASTER AGREEMENT WAGE RATE/MASTER AGREEMENT WAGES" has the meaning specified in Section 6.1.

"MASTER TRANSFER AGREEMENT" means that certain Master Transfer Agreement dated as of March 30, 2000 between the Parties.

"MASTER TRANSFER AGREEMENTS" means the following agreements between the Parties: Master Transfer Agreement, the Master Separation Agreement dated June 1, 2000, the Information Technology Services Agreement dated as of June 27, 2000, the Software and Information Technology License Agreement effective September 2, 2003, and the Relationship Agreement dated January 1, 2000 between the Automotive Consumer Services Group (now Ford Customer Services Division) of Ford and Visteon.

"NEW BUSINESS" means all Components put up for award by Ford or a North American Affiliate of Ford to Visteon between the Effective Date and December 31, 2007 that are not covered by an Existing Agreement.

"NEW BUSINESS AGREEMENTS" means all Purchase Orders, Long Term Supply Agreements, Target Agreements, and Sourcing Agreements with Pricing and similar agreements entered into by Ford and its applicable Affiliates and Visteon with respect to New Business between the Effective Date and December 31, 2007.

"NEW VISTEON CBA AND SUPPLEMENT" means the new collective bargaining agreement and supplement presently under negotiation between the UAW and Visteon that is intended to provide wage and benefit levels that meet those of an appropriate, representative group of UAW-represented employers in the U.S. automotive component and truck component industry.

"NON-DEFAULTING PARTY" has the meaning specified in Section 15.1.

"NORTH AMERICA" means Canada, Mexico and the United States.

"NORTH AMERICAN SOURCING COUNCIL" means a process to ensure that Ford honors commitments to Ford Master Agreement Workers at Ford or Visteon facilities in the United States with respect to Sourcing actions; to provide a framework for avoiding labor disturbances and lost production; and to ensure that Ford senior management concurs with sourcing decisions.

"ORIGINAL AGREEMENT" has the meaning specified in Recital A.

"OTHER GOOD BUSINESS REASONS" means all good business reasons, as determined by Ford (for example the strategic need for component commonality or supplier diversification within a commodity); provided that cancellation of a vehicle program, Excusable Delay and Good Cause are not Other Good Business Reasons.

"PARTY" or "PARTIES" has the meaning specified in the opening paragraph of this Agreement.

"PERSON" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or a governmental entity or any department, agency or political subdivision thereof.

"PRICE COMPETITIVE" means competitive in price elements, including, without limitation, piece price, ongoing productivity pricing commitments, Competitive Gap closure commitments for Commodities that are not

listed on Exhibit 4.2, and other financial elements (e.g., tooling, price reductions on other commodities or components); provided, however, that the obligation of Ford, if any, to pay a Labor Differential Uplift or to share capital investment costs pursuant to Article 8 with respect to a Component shall not be considered when making a determination of Price Competitiveness.

"PRICE TEXTURING" has the meaning specified in Section 3.2.

"PRODUCTIVITY REQUIREMENTS" has the meaning specified in Section 3.1.

"PURCHASE ORDER" has the meaning specified in Section 10.1.

"PUT UP FOR AWARD" means the issuance of a Request for Quote by Ford.

"RELATIONSHIP AGREEMENT" means that certain 2003 Relationship Agreement dated as of the date hereof between Visteon and Ford.

"REPLACEMENT NEW BUSINESS" means New Business that is put up for award to Visteon between the Effective Date and December 31, 2007 that replaces Existing Business awarded to Visteon before the Effective Date. Replacement New Business may represent a new Component for an Existing Vehicle or a new or carry-over Component for a new vehicle that will replace an Existing Vehicle. Ford Labor Affairs will determine whether New Business is Replacement New Business or Incremental New Business using the same process as has been used by Ford in connection with its UAW collective bargaining agreements since the inception of this concept in 1987, including the attributes and process described on Exhibit IB.

"REQUEST FOR QUOTE" means a request issued by Ford to one or more suppliers to provide a quotation for the supply of Components.

"SOURCE" means the awarding of a Target Agreement or a Sourcing Agreement with Pricing as to a Component for an estimated program volume over a specified number of years. The term "Source" does not include the issuance of a Sourcing Agreement with Preliminary Targets.

"SOURCING AGREEMENT" means an agreement that may be entered into before a Purchase Order is issued to advise the supplier that Ford intends to Source goods or services to such supplier assuming that the requirements of the Sourcing Agreement are met. There are two types of Sourcing Agreements: Sourcing Agreements with Pricing and Sourcing Agreements with Preliminary Targets.

"SUPPLIER AGREEMENT JOB #1 ECONOMICS" has the meaning specified in Section 6.1.

"SUPPLIER UAW WAGE RATE/SUPPLIER UAW WAGES" has the meaning specified in Section 6.1.

"TARGET AGREEMENT" has the meaning specified in the Global Terms.

"TARGET AGREEMENTS TURNOVER" has the meaning specified in Section 3.1.

"TOTAL FROZEN TURNOVER" has the meaning specified in Section 3.1.

"TOTAL HOURLY WORKERS" has the meaning specified in Section 6.1.

"VISTEON WORKERS" has the meaning specified in Section 6.1.

"VISTEON WORKERS TO TOTAL HOURLY WORKERS RATIO" has the meaning specified in Section 6.2.

"WAGE DIFFERENTIAL" has the meaning specified in Section 6.1.

## 2. PURCHASE AND SUPPLY COMMITMENTS

2.1 Existing Agreements, (a) Subject only to the provisions of Sections 3 through 18, Visteon and Ford shall continue to honor the terms and conditions of all Existing Agreements regarding the purchase and sale of Components.

(b) The Global Terms are incorporated herein and, except for Purchase Orders that already incorporate an earlier version of the Global Terms, in the Existing Agreements by this reference. Upon renewal of the term of any Purchase Order that already incorporates an earlier version of the Global Terms, the Global Terms shall apply. Except as provided in the two preceding sentences, in the event of a conflict between the terms of an Existing Agreement and this Agreement, then the terms of this Agreement shall control. The Parties agree that in situations where the parties are silent with respect to the applicability of all of the Global Terms, it shall be presumed that such terms and conditions apply.

2.2 New Business. (a) With respect to New Business, except as set forth herein. Ford shall treat Visteon in the same manner as it treats its other Ford Tier 1 Suppliers with respect to Ford's general sourcing policies and practices, including new purchasing and sourcing initiatives.

(b) All New Business that is awarded to Visteon will be governed by the Global Terms, the applicable terms of this Agreement and any other specific terms and conditions agreed to in writing by the applicable parties under which that business is awarded.

(c) With respect to all Replacement New Business and Incremental New Business and except as otherwise mutually agreed, Visteon will be included on Ford's list of suppliers receiving Requests for Quotes, including Requests for Quotations, design competitions and advanced technology development activities unless Good Cause or Other Good Business Reasons exist to exclude Visteon. If Ford elects not to include Visteon for Good Cause or Other Good Business Reasons, then such election will be (i) reviewed with the Sourcing Council, if required, and (ii) reviewed with the Governance Council. Where Ford asserts Good Cause to exclude Visteon from Ford's list of suppliers as above, such assertion of Good Cause must relate to substantially the same commodity. If a Component is produced at more than one facility, then Good Cause cannot be used to preclude Visteon from the bid list where the Good Cause being asserted is not relevant to the facility in which the New Business will be produced.

(d) Where Visteon has been asked to quote, consistent with commitments made to the UAW and Visteon to "look to Visteon first", Replacement New Business and Incremental New Business will be awarded to Visteon if Visteon's quote is Competitive. Ford's reasons for not awarding business to Visteon will be reviewed as part of the ongoing Governance Council process.

(e) If Visteon, due to Other Good Business Reasons, is excluded from the list of suppliers receiving a Request for Quote for (i) Replacement New Business; or (ii) business put up for award between September 1 and the Effective Date which business could have been Replacement New Business if it had been put up for award after the Effective Date, then Ford will compensate Visteon on account of such exclusion in accordance with the formula set forth on Exhibit 10.1; provided that Ford may propose New Business to Visteon to replace such business in which event, if Visteon is Sourced such New Business, then Profit from the New Business will be used to offset compensation otherwise payable under this Subsection 2.2(e).

(f) If Visteon is included in the list of suppliers receiving a Request for Quote, but is not Sourced because it is not Competitive, then Visteon will not be entitled to any compensation under Section 2.2(e).

3. PRICING

3.1 Productivity Price Reductions. (a) Visteon has provided to Ford certain productivity price reductions that are applicable to Components supplied by Visteon to Ford in 2003. In addition to those reductions, Visteon shall rebate to Ford in North America \$150,000,000 in lieu of additional productivity price reductions on Components supplied by Visteon to Ford in 2003. Such amount shall be paid in immediately available funds in three installments of \$50 million each. The first installment shall be paid no later than December 31, 2003; the second installment shall be paid on or before February 1, 2004; and the third installment shall be paid on or before March 1, 2004.

(b) Visteon shall reduce the prices for all Components beginning January 1, 2004 and on each January 1 thereafter for a period of four years (through 2007) by the following percentages:

| Calendar Year        | 2004 | 2005 | 2006 | 2007 |
|----------------------|------|------|------|------|
| Percentage Reduction | *    | *    | *    | *    |

For a given calendar year, the turnover against which these percentages shall be applied shall be the "Ford Carryover Frozen Turnover", which turnover shall be equal to the Total Frozen Turnover less the Target Agreement Turnover less the Ford Buy Turnover. The Labor Differential Uplift will not be included in the price of any Component, nor will it be included for purposes of calculating the Ford Carryover Frozen Turnover. The following definitions shall apply to this calculation:

"Total Frozen Turnover" shall be equal to the total projected sales of Components by Visteon to Ford using Ford's budgeted volume, mix and rates assumptions for the applicable calendar year; provided that Total Frozen Turnover shall not include any Components described in Subsection 3.1(c).

"Target Agreement Turnover" means that portion of the Total Frozen Turnover for Components that will be launched during the applicable calendar year where Ford and Visteon have entered into signed Target Agreements.

"Ford Buy Turnover" means that portion of the Total Frozen Turnover for which Ford has negotiated the price on behalf of Visteon. All productivity price reductions negotiated by Ford with respect to such Components shall be passed on in total to Ford by Visteon.

\*Material has been omitted and confidential treatment has been requested therefore. All such omitted material has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

(c) Where Ford and Visteon agree in writing on different productivity price reductions than those specified above, such separate agreements shall supercede the provisions of Subsection 3.1(b) and all Components covered by such separate agreements shall not be included in Total Frozen Turnover. Exhibit 3.1 is a list of the Components for which separate agreements exist as of the date of this Agreement.

(d) The productivity price reductions described in Section 3.1(b) are referred to herein as the "Productivity Requirements."

3.2 Ford will consider Visteon's reasonable requests for Price Texturing by Commodity Group and limited requests for Price Texturing within a Commodity Group. Requests for Price Texturing by Component will be considered in rare circumstances. Notwithstanding any Price Texturing, the total productivity price reductions shall not be less than those calculated pursuant to Section 3.1 above. "Price Texturing" means the achievement of the Productivity Requirements by applying different productivity price reductions to different Commodity Groups, or to different commodities, or to different Components within a commodity.

3.3 The Parties will process the productivity price reductions applicable to each Component on or before March 31 of the year in which the productivity price reductions are to be applied; provided that if the productivity price reductions are not so processed by March 31, then (i) all productivity price reductions will nevertheless be retroactive to January 1 of the applicable year; and (ii) if the productivity price reductions are not processed prior to the end of any calendar quarter during the applicable year, Visteon shall pay to Ford a lump sum equal to a reasonable estimate of the effect of the productivity price reductions based on Visteon's shipments of Components to Ford during such calendar quarter. Such amount shall be paid on or before the last day of such calendar quarter. The Parties acknowledge that once the actual productivity price reductions are determined, they will be entered into a system that will result in productivity price reductions retroactive to January 1 of the applicable year; therefore, if Visteon has made a lump sum payment for any calendar quarter and Ford later receives a retroactive price adjustment, Ford will reimburse Visteon any amounts that are charged twice to Visteon.

#### 4. PRICE GAP CLOSURE

4.1 For purposes of defining price gap closure obligations, the following definitions are provided:

"Competitive Gap Closure Plan" means, for purposes of this Agreement, a plan agreed between Ford and Visteon to reduce or eliminate a Competitive Gap on certain Existing Business through sharing the benefits from the application to Existing Business of new designs, design principles, processing advances, new manufacturing equipment or other advantages associated with New Business awarded to Visteon; provided that the intent is not to reduce Visteon margins. From the resulting benefits, Visteon will receive the greater of (i) 10% of the benefits or (ii) the cost of any capital investment made by Visteon to achieve the benefits. As a principle, Competitive Gap Closure Plans will be incremental to productivity price reductions. If Visteon believes there is a valid basis for modifying the application of the principle, on a case-by-case basis, then Ford will consider the request and make a determination, in its reasonable judgment, as to whether the application of the principle should be modified. Ford and Visteon will inform the Governance Council of Ford's determination, as applicable.

"Competitive Gap" means the gap between the price paid by Ford to Visteon for a Component and the price at which Ford could obtain the same or substantially the same Component (i.e., same functions, performance, and same level of specifications) from another supplier under generally consistent circumstances (e.g., volume., engineering support, etc.) and excluding the Labor Differential Uplift and investment sharing pursuant to Article 8. The parties acknowledge that the Competitive Gap can be positive (Visteon's price is better than Competitive) or negative (Visteon's price being non-Competitive) with respect to a given Component or commodity and can change over time. Upon Visteon's request, Ford will provide to a mutually agreed independent third party, documentation supporting the existence and extent of a Competitive Gap (as evidenced by a Ford purchase order, market test, firm verifiable price quotation from another similarly situated supplier, or other relevant information supplied by Ford). The cost of the third party will be shared equally by the Parties.

4.2 (a) As a condition of awarding New Business to Visteon for commodities other than those listed on Schedule 4.2 hereto, Visteon will identify opportunities to reduce the price of Existing Business for the same or similar Component to competitive levels, without reducing Visteon's margins on the Existing Business, by applying the elements of a Competitive Gap Closure Plan as described above. Such Competitive Gap Closure Plans will be provided to Ford as soon as feasible, but in any event, no later than the earlier of (i) 60 days after the submission of a quote by Visteon or (ii) within 15 days prior to the date on which a Sourcing decision will be made (of which date Visteon will be notified). If Visteon is unable to provide a Competitive Gap Closure Plan within the specified time period, Visteon shall provide to Ford such information as Ford may reasonably request to support Visteon's inability to provide such a Plan, and Ford will waive the requirement to provide a Competitive Gap Closure Plan as a condition of being Sourced the applicable New

Business if Visteon has demonstrated to Ford's satisfaction Visteon's inability to provide such a plan; provided, however, that Visteon and Ford will agree on a time period within which a Competitive Gap Closure Plan will be provided, with a target of providing a plan within six months after such New Business is Sourced to Visteon if Ford reasonably believes that additional time will enable Visteon to provide a plan. The Parties also may agree that Visteon is unable to provide a Competitive Gap Closure Plan with respect to a given Component or Commodity, in which case the condition to award of New Business with respect to such Component will be waived by Ford.

(b) For commodities listed on Exhibit 4.2, Visteon shall not be required to prepare and deliver Competitive Gap Closure Plans on Existing Business.

4.3 To help ensure the Parties that Visteon is advancing toward becoming a profitable and growing supplier and that Ford is achieving competitive prices over time, the provision and implementation of Competitive Gap Closure Plans, and the results thereof, will be reviewed regularly with the Governance Council.

## 5. DESIGN CHANGES

5.1 Ford and Visteon will negotiate increases and decreases in prices of Components for Design Changes in good faith. When a Ford vehicle program team requests a Design Change, Visteon shall submit to the team a good faith estimate of the change in the price of the Component that would result from such Design Change, which estimate will be used by the program team to seek approval to make the Design Change. Promptly after submitting its estimate, Visteon shall provide documentation reasonably satisfactory to Ford to support the actual change to the price of the Component resulting from the Design Change. The actual change to the price to Ford for the Component resulting from the Design Change will be negotiated after approval is received from the program team, but will not exceed the original estimate of the change in price.

5.2 In support of good faith negotiation of changes to prices of Components for Design Changes, Visteon will provide all documentation reasonably requested by Ford to support quotes for price changes. In any event, Visteon shall provide at least as much supporting documentation as is provided by other similarly situated suppliers in connection with Design Changes.

## 6. LABOR DIFFERENTIAL

6.1 For all New Business Sourced to Visteon at Master Agreement Plants using Ford Master Agreement Workers, Ford will pay during the period from January 1, 2004 through December 31, 2007 a Labor Differential Uplift that will be calculated as provided in the following formula, subject to the rules specified in Section 6.2 and 6.3:

Labor Differential Uplift = Efficient Manning \* Wage Differential at Job #1 Economics

Where Efficient Manning is determined as follows:

Efficient Manning = Efficient Direct Labor Heads plus Efficient Indirect Labor Heads

Efficient Direct Labor Heads = Competitive Bid Minutes \* Annual Volume  
-----  
91,700

"Competitive Bid Minutes" means the average of the total direct labor minutes contained in supplier responses to a Request for Quotation from Ford's Purchasing group, based on a market test or, when

unavailable, an amount determined by Ford's Cost Optimization Model; provided that if a supplier's quote contains minutes that vary significantly (more than 25% higher or lower) than those of other suppliers' quotes, such aberrant number of minutes shall be excluded from the calculation. For the purpose of determining direct labor minutes, the Cost Optimization Model will reflect the manufacturing processes (not headcount or staffing) presently utilized by Visteon or, as to Existing Business and New Business that is not yet in production, the manufacturing processes consistent with those proposed in the applicable quote.

"Annual Volume" means the calendar year vehicle volumes for the affected Component as reported by Ford in the most recently published Production Program Volume forecast.

Efficient Indirect Labor Heads = Efficient Direct Labor Heads \* .33

And Wage Differential at Job #1 Economics is determined as follows:

Wage Differential at Job #1 Economics = Master Agreement Wage Rate - Supplier UAW Wage Rate

"Master Agreement Wage Rate/Master Agreement Wages" means the wage rate/wages (including fringe benefits) at Master Agreement Job #1 Economics agreed between Ford and the UAW in the Master Agreement (constructed from the cost elements specified on Exhibit 6.1, utilizing wage data provided by Ford).

"Supplier UAW Wage Rate/Supplier UAW Wages" means the average wage rate/wages (including fringe benefits) at Supplier Job #1 Economics agreed between Visteon and the UAW in the New Visteon CBA and Supplement.

"Master Agreement Job #1 Economics" means cost increases contained in the Master Agreement, where available, or Ford's economic forecast (where Master Agreement economics are unavailable) in effect at December 31st of the year prior to the calendar year of the product launch. (e.g., If a product launch occurs in June 2006, Master Agreement Job #1 Economics are the economics as of December 31, 2005.)

"Supplier Job #1 Economics" means cost increases contained in the New Visteon CBA and Supplement, where available, or Visteon's economic forecast (where New Visteon CBA and Supplement economics are unavailable) in effect at December 31st of the year prior to the calendar year of the product launch. (e.g., If a product launch occurs in June 2006, Supplier Job #1 Economics are the economics as of December 31, 2005.)

6.2 (a) The Labor Differential Uplift will be determined utilizing Master Agreement Job #1 Economics and Supplier Agreement Job #1 Economics. Ford will absorb economics on the Labor Differential Uplift between the quote and Job #1, and Visteon will absorb economics post Job #1.

(b) Each January, the current year Labor Differential Uplift will be calculated for all programs that have existing Labor Differential Uplifts by using the most recently published present year forecasted Annual Volumes. The calculation will be in accordance with Section 6.1. For the avoidance of doubt, the only variable to change from the original Labor Differential Uplift calculation will be the Annual Volume as provided by Ford.

(c) The Labor Differential Uplift payable with respect to a particular Component will be fixed for each calendar year (or partial calendar year) of supply except that the Labor Differential Uplift may be adjusted if the number of Ford Master Agreement Workers producing products receiving a Labor Differential Uplift at

Master Agreement Plants is reduced due to a triggering of the GEN Assistance Program. In addition to the annual recalculation of the Labor Differential Uplift, whenever a GEN Assistance Program is triggered, the Labor Differential Uplift will be recalculated using the most recent Annual Volumes in accordance with Section 6.1. These adjustments will be effective on the first day of the calendar quarter following the quarter in which the GEN Assistance Program is triggered.

(d) The Labor Differential Uplift will not be included in the price of any Component and will be paid in a lump sum, quarterly within 30 days after public release of Ford's quarterly earnings.

(e) There will be no mark-ups on Labor Differential Uplift, including, but not limited to, mark-ups to cover overhead or selling, general and administrative expense.

(f) The Labor Differential Uplift will be excluded from the Ford Carryover Frozen Turnover.

(g) The Labor Differential Uplift will cease if the number of Ford Master Agreement Workers falls below 2,000 and, in any event, will cease on December 31, 2007; provided that, Ford will continue the payment of a Labor Differential Uplift on a year-by-year basis after December 31, 2007 where Visteon and Ford have agreed to competitive levels of productivity price reductions for the Ford Carryover Frozen Turnover for such year. The Labor Differential Uplift will only be continued as to those Components that were Sourced to Visteon between the Effective Date and December 31, 2007 and which otherwise would qualify for the Labor Differential Uplift pursuant to Section 6.1. For any Labor Differential Uplift paid after December 31, 2007, the Labor Differential Uplift will be reduced at the beginning of each calendar year by the Visteon Workers to Total Hourly Workers Ratio at December 31 of the preceding calendar year. (Example: If the actual Visteon Workers to Total Hourly Workers Ratio at year-end 2007 at an affected Master Agreement Plant were 10% and Ford agreed to continue the Labor Differential Uplift at such Master Agreement Plant, then the Labor Differential Uplift would be reduced by 10% for 2008.)

The following terms used in this Subsection 6.2(g) are defined as follows:

"Total Hourly Workers" means the Visteon Workers plus the Ford Master Agreement Workers at an affected Master Agreement Plant.

"Ford Master Agreement Workers" means the Ford hourly employees who are represented by the UAW under the Master Agreement and who have been assigned to work at Visteon plants.

"Visteon Workers" means the hourly employees (whether or not employed by Visteon) who have replaced Ford Master Agreement Workers at a Master Agreement Plant.

"Visteon Workers to Total Hourly Workers Ratio" means the percentage of Visteon Workers who have replaced Ford Master Agreement Workers at an affected Master Agreement Plant (formula is equal to Visteon Workers divided by the Total Hourly Workers).

6.3 Where other Ford Tier 1 Suppliers are providing quotes from facilities in countries that have significantly lower wage rates and Ford and Visteon agree that Visteon cannot quote from a similar facility, then Ford will give due consideration to an adjustment in the amount of any Labor Differential Uplift that takes into consideration the lower wage rates, number of workers and other relevant factors.

7. GEN

7.1 (a) Through December 31, 2007, Ford will reimburse Visteon for the Master Agreement Wages paid by Visteon to Ford for Ford Master Agreement Workers who are placed in GEN as a result of Ford deciding for Other Good Business Reasons to:

- (i) exclude Visteon from Ford's list of suppliers receiving Requests for Quotes, including Requests for Quotations, design competitions and advanced technology development activities for New Business; or
- (ii) terminate or not renew any Purchase Order.

(b) All such reimbursements will be made quarterly within 30 days after receipt of an invoice from Visteon together with supporting documentation reasonably requested by Ford. The amount to be paid shall be equal to the lower of (i) the Master Agreement Wages for the number of Ford Master Agreement Workers placed in GEN due to the actions specified in Section 7.1 (a) for the applicable quarter; and (ii) provided that if the number of Ford Master Agreement Workers in GEN at the affected Master Agreement Plant is reduced at any time below the number used in the preceding clause (i), then the amount to be paid shall be equal to the Master Agreement Wages for such lower number of Ford Master Agreement Workers for the applicable quarter. At such time as the number reaches zero, then Ford's obligation to pay for Ford Master Agreement Workers in GEN shall cease as to the particular action described in Subsection 7.1(a) above.

(c) All other GEN costs will be borne by Visteon.

7.2 (a) Ford and Visteon hereby establish a plan to implement GEN Assistance Programs on a plant-by-plant basis with the cooperation and approval of the UAW as follows:

- (i) The GEN Assistance Programs are intended to supplement the preferential placement guidelines in the Master Agreement, not to replace them. Before a GEN Assistance Program is activated, the ability to place Ford Master Agreement Workers at other Ford or Visteon plants through the preferential placement guidelines in the Master Agreement will be exhausted.
- (ii) The Parties will cooperate in implementing the GEN Assistance Programs and their costs will be shared equally. Unless the Parties agree otherwise, (A) the aggregate cost of all GEN Assistance Programs shall not exceed \$100 million total (\$50 million for each of Visteon and Ford) during any calendar year; and (B) the aggregate cost of any particular GEN Assistance Program shall not exceed \$100 million (\$50 million for each of Visteon and Ford) over the lifetime of such GEN Assistance Program.
- (iii) Once the number of Ford Master Agreement Workers in GEN exceeds 100 at any Master Agreement Plant and Ford determines that the preferential placement guidelines in the Master Agreement will not reduce such number significantly within 4 months, then subject to Subsection 7.2(a)(ii) Visteon and Ford will initiate incentives to reduce or eliminate substantially all of the Ford Master Agreement Workers in GEN at such Master Agreement Plant. The incentives can include, without limitation, buyouts, reloads, flow backs and other special incentives such as special relocation programs. These incentives are referred to herein as GEN Assistance Programs.

8. INVESTMENT SHARING

8.1 Ford will reimburse Visteon for one-half of any Capital Investment made by Visteon during the period from January 1, 2004 through December 31, 2007 for production of commodities listed on Exhibit 4.2 on the following terms and conditions:

(a) The term "Capital Investment" means spending for facilities and equipment used for the production of commodities listed on Exhibit 4.2 that are recorded as assets on Visteon's books in accordance with U.S. GAAP consistently applied; or as an expense in those instances where such spending cannot be recorded as an asset because of asset impairment issues. The term "Reimbursement" refers to the amount of the Capital Investment to be reimbursed by Ford.

(b) Prior to making any commitment to a Capital Investment for which Visteon would be eligible for Reimbursement, Visteon will provide details of such Capital Investment to Ford and Ford must concur in writing with the necessity, timing and amount of such Capital Investment. Visteon will provide sufficient information, including access to the facility in which the Capital Investment will be made, to allow Ford to evaluate the Capital Investment prior to initiating the spending.

(c) Ford and its agents and representatives shall be given the opportunity to audit the actual amount spent by Visteon on the Capital Investment.

(d) The obligation to reimburse Visteon for Capital Investments will apply only to commodities listed on Exhibit 4.2 and only when the Capital Investment will be used to purchase facilities or equipment in order to produce one or more Components for Ford.

(e) For purposes of calculating the Reimbursement to Visteon, each Capital Investment that qualifies for Reimbursement will be amortized over a period of seven years, based on production volumes of the applicable Components. The Reimbursement will be paid to Visteon in a lump sum on a quarterly basis. Payment of the lump sum as to a particular Capital Investment will commence in the calendar quarter following the date on which the asset or expense is fully recorded on Visteon's books and full production of the applicable Component has begun. Visteon accepts the risk that Reimbursement may not reach 50% of the Capital Investment prior to any program cancellation or sourcing modification.

## 9. PAYMENT TERMS

9.1 The payment terms of all Existing Agreements shall remain unchanged as to any payments for Components received during 2003. For Components received at Ford facilities in the United States and for Tooling received at Visteon facilities in the United States:

- (a) For the period beginning January 1, 2004 through December 31, 2005, payment terms shall average 33 days after the entry date of the Components or tooling. Prior to Visteon's participation in the payment process portion of Ford's EVEREST payables system, payments will be determined in the same manner as determined in 2003, but with an average settlement of 33 days. Upon Visteon participation in the payment process portion of Ford's EVEREST system the payment terms shall be net 33 days after the entry date of the Components or tooling.
- (b) For the period beginning January 1, 2006 through December 31, 2006, payment terms shall be net 13th or 28th prox with an average days payable of 35.5 days meaning that if the entry date of Components or tooling occurs from the first day through the 15th day of a month, payment will be made by the 13th of the following month and if the entry date of Components or tooling occurs from the 16th day through the last day of a month, payment will be made by the 28th of the following month.
- (c) Beginning January 1, 2007 through December 31, 2007, Visteon will be paid in accordance with Ford's standard payment terms in effect at that time.

9.2 All Components and tooling received at Ford facilities outside of the United States will have the payment terms specified in the applicable Purchase Order.

9.3 As used in this Article 9, the term "tooling" refers only to tooling owned by Ford and funded by Ford in a lump sum (rather than in the piece price) that is used for the production of Components and which is located in Visteon facilities or Visteon's suppliers facilities in the United States.

#### 10. RIGHT TO TERMINATE

10.1 (a) Ford may terminate or not renew its purchase obligations in whole or in part under an Existing Agreement or New Business Agreement relating to a given Component (each, a "Purchase Order") in accordance with the terms of such Purchase Order, on account of Excusable Delay, program cancellation, for Good Cause or for Other Good Business Reasons.

(b) If Ford is considering termination or non-renewal of a Purchase Order for Good Cause or Other Good Business Reasons, Ford must (i) provide Visteon with written notification at least three months prior to the termination or non-renewal decision date, and (ii) inform the Governance Council of the potential termination or non-renewal at the same time as notification is sent to Visteon. Visteon may raise with the Governance Council its disagreement with Ford's determination that Good Cause exists to terminate or not renew.

(c) After having received the written notification described in subsection 10.1(b) above, if Visteon demonstrates to Ford's satisfaction, at least one month prior to the termination or non-renewal decision date, its ability to correct, on or before the termination or non-renewal date or another date acceptable to Ford, the issue that triggered the termination or non-renewal notice, then Ford's decision to terminate or not renew the Purchase Order will be suspended. Consistent with agreements with the UAW, Ford will collaborate with Visteon and the UAW to correct quality and other issues.

(d) If a Purchase Order is terminated or not renewed for Good Cause, then there will be no adjustment to the productivity price down percentages set forth in Section 3.1(b) and Ford will not compensate Visteon as a result of such termination or non-renewal.

(e) If during the term of any Purchase Order, Ford elects to terminate or not renew a Purchase Order for Other Good Business Reasons, then Ford will compensate Visteon in the manner set forth on Exhibit 10.1 as to Existing Business, Replacement New Business and all Purchase Orders, Long Term Supply Agreements, and, to the extent that a Purchase Order results therefrom, Target Agreements and Sourcing Agreements with Pricing in existence as of September 1, 2003 entered into by Ford on behalf of itself or its applicable Affiliates and by Visteon or its applicable Affiliates with respect to Components; provided that Ford may propose New Business to Visteon to replace the business terminated or not renewed in which event, if Visteon is Sourced such New Business, then Profit from the New Business will be used to offset compensation otherwise payable under this Subsection 10.1(e).

(f) If during the term of any Purchase Order, Ford elects to terminate or not renew a Purchase Order because of program cancellation or Excusable Delay, then the terms of the applicable Purchase Order will govern the right to notification, remediation and compensation, if any.

(g) Ford's right to terminate a Purchase Order as described in this Article 10 is without prejudice to either Party for any other right or remedy permitted under this Agreement or the applicable Purchase Order, including, without limitation, the right to recover Damages for default; provided, however, that to the extent that Visteon is compensated pursuant to Subsection 10.1(e), then Visteon's right to recover Damages under this Subsection 10.1(g) shall apply only to the extent that Visteon has not already recovered such Damages through the compensation paid under Subsection 10.1(e).

## 11. QUALITY IMPROVEMENT INITIATIVES

11.1 To insure a robust quality improvement process, Visteon will participate in Ford quality improvement programs and Ford can require Visteon to achieve reasonable increased quality standards, consistent with the requirements for other Ford Tier 1 Suppliers, as they may exist from time to time. All Visteon facilities that produce Components for Ford shall achieve and retain Q1 status and shall also maintain ISO9000 compliance during the terms of any applicable Purchase Order.

11.2 Visteon will participate with Ford on its cost, warranty and customer satisfaction improvement programs on all Components, whether covered by Existing Agreements or New Business Agreements, including sharing the necessary information requested by Ford, consistent with that required of other Ford Tier 1 Suppliers. The warranty sharing program in effect as of the Effective Date is contained in that certain letter dated December 13, 2002 from Mr. Todd Sheppelman of Visteon to Mr. Tom Miller of Ford.

## 12. TOOLING

12.1 Pursuant to the Master Transfer Agreement. Visteon owns certain production tooling. Any tooling that is not governed by the Master Transfer Agreement is governed by the Existing Agreements or New Business Agreements, as applicable.

12.2 Use of Ford-owned tooling for the production of service and replacement parts and other aftermarket applications is governed by the FCSO Agreement.

12.3 Except as permitted by the FCSO Agreement, Visteon shall not use Ford-owned tooling to produce products for other customers if such tooling is used to produce products for serial production for Ford; provided, however, that Visteon shall be allowed to continue the use of such tooling to the extent necessary to satisfy contracts in existence as of January 1, 2000 or extensions of such contracts, where Visteon has previously used such tooling to produce such products. Visteon will have the burden of establishing, upon Ford's reasonable request, the existence of a binding contract with other customer(s) and prior use of particular tooling for those specific customer(s) prior to January 1, 2000. If Visteon is unable to establish such facts with respect to particular tooling, Visteon will not have the right to use the applicable tooling. Visteon agrees that it will not expand the use of any tooling described in this Section to new products, new customers or new contracts, other than for or with Ford unless otherwise agreed by Ford.

12.4 In the event that (i) any Excusable Delay prevents Visteon from producing or delivering products, or (ii) Ford resources products to another supplier as permitted under this Agreement, Visteon will permit Ford to take possession of all tooling which is used to produce serial production parts for Ford in accordance with the Global Terms; provided, however, that in the event such tooling is being used by Visteon to produce products for other customers (as permitted pursuant to Section 12.3 above, it being understood and agreed that Visteon shall have the burden of proving such eligibility), Ford will to the extent practicable, allow the new supplier to use such tooling to produce products for sale to Visteon to permit Visteon to satisfy Visteon's pre-existing contractual commitments to other customers. In no event will Ford allow a new supplier to use such tooling to satisfy Visteon's customers if the ability to meet Ford's production needs would, in Ford's opinion, be jeopardized. As appropriate, Ford will reimburse to Visteon its amortization for tooling that is owned by Visteon and used by Ford under this Section 12.4.

12.5 Ford agrees to return to Visteon all tooling of which Ford obtains possession as a result of an event constituting an Excusable Delay as promptly as commercially reasonable under the circumstances, following the cessation of that Excusable Delay event; provided, however, that Ford shall not be required to return any

such tooling to Visteon until after Ford has satisfied any contractual commitments that Ford may have made to other suppliers regarding products produced from such tooling.

12.6 Nothing contained in this Article 12 shall be construed to restrict Ford and Visteon from agreeing to Visteon's use of tooling beyond the specific rights herein granted to the extent that Ford may in the future agree to expand such rights with respect to Ford Tier 1 Suppliers generally.

### 13. PROCESS FOR VISTEON TO EXIT CERTAIN BUSINESSES

Visteon may sell or exit any of its business operations engaged in the production of Components for Ford provided that Visteon first obtains any and all necessary third party consents, including the consent of the UAW or any other relevant labor organizations, and further provided that, notwithstanding any such exit, sale or disposition, all of Visteon's obligations under this Agreement or under any relevant Existing Agreement or New Business Agreement are fully satisfied. Visteon shall provide to Ford adequate assurance of the continued supply of affected Components on the same terms and conditions as are applicable to such Components including, without limitation, this Agreement and the applicable Purchase Orders, Target Agreements, Sourcing Agreements or Long Term Supply Agreements, through the remaining life of the vehicle programs for which the affected Components are supplied. Visteon will reasonably consider Ford's input and concerns and Ford will cooperate in good faith with Visteon in any restructuring actions, including exit of specific business operations.

### 14. RAW MATERIALS AND PURCHASED COMPONENTS

To the extent consistent with all applicable laws and regulations and consistent with the terms of all Existing Agreements, Visteon will participate in Ford's raw materials supply system or directed buy programs for raw materials as amended from time to time, in the same manner as other Ford Tier 1 Suppliers.

### 15. DEFAULT

15.1. A Party (a "Non-Defaulting Party") may give notice to the other Party (the "Defaulting Party"), upon occurrence of any of the following events, any one of which will be considered to be an "Event of Default":

- (a) Default by a Party. Any default by the Defaulting Party in the performance of any obligation or in the observance of any restriction (i) in this Agreement, or (ii) in any Related Agreement, or (iii) in any of the Master Transfer Agreements which default may not be cured or is not effectively cured after a period of 30 days after written notice thereof has been given by the Non-Defaulting Party; provided that if such default cannot be cured within 30 days, then the Defaulting Party shall have a reasonable period to cure the default (not to exceed 90 days), during which period the Defaulting Party shall at all times diligently pursue a cure;
- (b) Termination of Existence Initiated by a Party. The Defaulting Party commences any Proceeding to wind up, dissolve, or otherwise terminate its legal existence;
- (c) Termination of Existence Initiated by Another Person. Any proceeding is commenced against the Defaulting Party that seeks or requires the winding up, dissolution, or other termination of its legal existence, unless the proceeding is defended or contested in good faith by the Defaulting Party within 30 days of the commencement of the proceeding in a manner that stays it and such defense or contest is pursued diligently thereafter;
- (d) Bankruptcy. Either (a) the Defaulting Party seeks relief by any proceedings of any nature under any applicable laws for the relief of debtors; or (b) the institution against the Defaulting

Party of a proceeding under any applicable bankruptcy or similar law of any jurisdiction in which the Defaulting Party carries on its business, unless the proceeding is defended or contested in good faith by the Defaulting Party within 15 days of the commencement of the proceeding in a manner that stays the proceedings and then only so long as such defense or contest is pursued diligently thereafter;

- (e) Appointment of a Receiver. The appointment of a receiver, receiver-manager, trustee, custodian or like officer for all or a substantial part of the business or assets of the Defaulting Party, unless the appointment is defended or contested in good faith by the Defaulting Party within 30 days of the commencement of the appointment in a manner that stays the appointment and then only so long as such defense or contest is pursued diligently thereafter; or
- (f) Assignment for Benefit of Creditors. The Defaulting Party makes an assignment of a substantial part of its assets for the benefit of its creditors.

15.2. Upon the occurrence of an Event of Default, the Non-Defaulting Party may elect one or more of the following remedies:

- (a) Termination of this Agreement, in whole or in part, and any such termination shall not be deemed a waiver or release of, or otherwise prejudice or affect, any rights, remedies or claims, whether for Damages or otherwise, which the Non-Defaulting Party may then possess under this Agreement or which arise as a result of such termination; and
- (b) Set off and recoupment against sums owed by the Non-Defaulting Party or one of its Affiliates to the Defaulting Party or one of its Affiliates any amounts for which the Non-Defaulting Party determines in good faith that the Defaulting Party or one of its Affiliates is liable to the Non-Defaulting Party or one of its Affiliates under this Agreement or any Purchase Order; and
- (c) Ford may cease the payment of (i) any Labor Differential Uplift pursuant to Section 6.1; (ii) any amounts due under Article 7 (GEN); (iii) any amounts due under Article 8 (Investment Sharing); and (iv) compensation payable to Visteon pursuant to Section 2.2(e); and
- (d) Recovery of Damages arising from the Default.

15.3 Ford may terminate this Agreement in the following events: (i) thirty-five percent or more of the voting shares of Visteon become owned or controlled, directly or indirectly, by a competitor of Ford in the business of manufacturing motor vehicles; or (ii) all of the Existing Agreements become subject to termination or cancellation for Good Cause.

15.4 A Non-Defaulting Party intending to terminate this Agreement pursuant to this Article 15 as a result of an Event of Default occurring under Subsections 15.1(a) or (b) shall first notify the Governance Council and the Defaulting Party of the grounds for the intended termination. If the Defaulting Party fails to remedy such grounds for termination within sixty (60) days of such notice (or any longer period of time as mutually agreed by the Parties), then the Non-Defaulting Party may terminate this Agreement effective upon notice to the Defaulting Party without the need for any judicial action.

15.5 The provisions of this Article 15 are without prejudice to any other rights or remedies either Party may have by reason of the default of the other party.

15.6 In the event a competitor of Ford in the business of manufacturing motor vehicles acquires a significant interest in Visteon (directly or indirectly) Visteon will provide Ford with reasonable assurances that Visteon will utilize its best efforts to preserve the confidentiality of all information related to products produced for Ford and Ford product programs.

16. TERM

16.1 The term of this Agreement shall commence on the Effective Date and continue through December 31, 2007.

17. CONFIDENTIALITY

17.1 "Confidential Information" is defined as information that is disclosed in connection with this Agreement and which is furnished in the following forms:

- (a) Any information whether or not it is provided in writing or orally, including drawings, documents, financial statements and projections, demonstrations, product and product cycle plans and any other information or machine readable data, of a Party furnished to another Party that is marked "Confidential" or contains a proprietary notice clause or, if disclosed orally, was identified as confidential at the time of oral disclosure;
- (b) Confidential Information includes also any item of hardware, including samples, devices and any other physical embodiments, if such hardware is delivered to the receiving Party.
- (c) In the event that Confidential Information shall be incorporated into or reflected in other documents, whether separately or jointly generated by the Parties, such other documents shall be deemed Confidential Information subject to the terms of this Agreement.

17.2 Notwithstanding Section 17.1, "Confidential Information" does not include information provided pursuant to a Purchase Order, Target Agreement, Long-Term Agreement or Sourcing Agreement, and the confidentiality of such information shall be governed by the terms and conditions of the applicable Purchase Order, Target Agreement, Long-Term Agreement or Sourcing Agreement.

17.3 The receiving Party shall, for a period beginning with the first date of receipt of each respective disclosure and continuing for three years thereafter, use the same standard of care it uses to protect its own information of similar kind and importance, but not less than reasonable care, to maintain the confidentiality of Confidential Information and to limit its disclosure to such of its directors, employees, agents, advisors or subsidiaries as have a need to know such Confidential Information in order that the objectives of this Agreement can be achieved. The receiving Party shall be responsible for the compliance by such directors, employees, agents, advisors or Affiliates with the provisions of this Agreement.

17.4 The confidentiality obligations of this Agreement shall not apply to confidential information received pursuant to this Agreement which:

- (a) is or becomes publicly known other than through a breach of this Agreement by the receiving Party; or
- (b) is already known to the receiving Party at the time of disclosure as evidenced by the receiving Party's written documentation; or

- (c) is lawfully received by the receiving Party from a third party without breach of this Agreement or breach of any other agreement between the disclosing Party and such third party; or
- (d) is independently developed by employees of the receiving Party who have not had access to or received any Confidential Information under this Agreement; or
- (e) is furnished to a third party by the disclosing Party without restriction on the third party's rights to disclose; or
- (f) is authorized in writing by the disclosing Party to be released from the confidentiality obligations herein.

Specific information shall not be deemed to be within such exceptions merely because it is included within general information, which is within such exceptions, nor shall a combination of features be deemed to be within such exceptions merely because the individual features of the combination are separately within such exceptions.

17.5 Confidential Information shall remain the exclusive property of the disclosing Party. The receiving Party agrees that Confidential Information disclosed hereunder is being received subject to the disclosing Party's ownership rights in such Confidential Information and, further, subject to all relevant intellectual and/or proprietary property rights of the disclosing Party, including the relevant laws governing patents, trademarks, copyrights, semiconductor chip protection, trade secrets and unfair competition.

17.6 Upon the termination of this Agreement, the receiving Party shall, at its own expense, promptly return to the disclosing Party all originals and copies of the writings and hardware in its possession which contain Confidential Information. If any writing or hardware has been destroyed, an adequate response to a return request therefor by the disclosing Party will be written notice, executed by the receiving Party, that such writing or hardware has been destroyed.

17.7 If the receiving Party becomes legally compelled (by oral questions, interrogatories, request for information or documents, subpoena, civil investigative demand or similar process) to disclose any Confidential Information, the receiving Party will provide the disclosing parties with prompt written notice so that the disclosing Party may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Agreement. In the event that such protective order or other remedy is not obtained, or the disclosing Party waives compliance with the provisions of this Agreement, the receiving Party will furnish only that Confidential Information which is legally required and will exercise reasonable efforts to obtain reliable assurance that confidential treatment will be accorded the Confidential Information so disclosed.

17.8 Notwithstanding anything herein to the contrary, any Party (and any employee, representative, or other agent of any Party) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure (if any) of the transactions contemplated by this Agreement and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to such tax treatment and tax structure. However, any such information relating to the tax treatment or tax structure is required to be kept confidential to the extent necessary to comply with any applicable United States federal or state securities laws. Each Party agrees that it will notify each other Party of any planned disclosure of such information and will discuss same with the other Parties.

18. GENERAL PROVISIONS

18.1 No Agency. This Agreement does not constitute either party the agent or legal representative of the other party. Neither party is authorized to create any obligation on behalf of the other party.

18.2 Notices. Any notice under this Agreement must be in writing (letter, facsimile) and will be effective when received by the addressee at its address indicated below.

(a) Notice sent to Visteon will be addressed as follows:

Visteon Corporation  
290 Town Center Drive  
10th Floor, Fairlane Plaza North  
Dearborn, MI 48126  
Attention: General Counsel  
Fax:(313)755-2762

(b) Notice sent to Ford will be addressed as follows:

Ford Motor Company  
Office of the Secretary  
One American Road  
12th Floor World Headquarters  
Dearborn, Michigan 48126  
Fax: (313) 248-8713

(c) The parties by notice hereunder may designate other addresses to which notices will be sent.

18.3 Subsidiaries and Affiliates. Subsidiaries and Affiliates of Ford and Visteon are bound by the provisions herein to the extent necessary that such subsidiaries or Affiliates produce Components or purchase Components; provided, that AAI and Affiliates of Ford shall be bound by this Agreement only to the extent that Components supplied to them are purchased for use in a Ford, Lincoln or Mercury brand vehicle.

18.4 Amendments. No amendment to this Agreement will be binding upon either party unless it is in writing and is signed by a duly authorized representative of each party. This Agreement supersedes any prior agreements between the parties concerning the subject matter herein.

18.5 Assignments. This Agreement shall be binding upon and inure to the benefit of the parties, and their respective successors and permitted assigns, but no rights, interests or obligations of either party herein may be assigned without the prior written consent of the other, which consent shall not be unreasonably withheld.

18.6 Severability. If any provision of this Agreement, or portion thereof, is invalid or unenforceable under any statute, regulation, ordinance, executive order or other rule of law, such provision, or portion thereof, shall be deemed reformed or deleted, but only to the extent necessary to comply with such statute, regulation, ordinance, order or rule, and the remaining provisions of this Agreement shall remain in full force and effect.

18.7 Governing Law. This Agreement will be construed and enforced in accordance with the laws of the State of Michigan, excluding its conflict of laws rules. Each party consents, for purposes of enforcing this Agreement, to personal jurisdiction, service of process and venue in any state or federal court within the State of Michigan having jurisdiction over the subject matter. The parties exclude the application of the 1980 United Nations Convention on Contracts for the International Sale of Goods, if otherwise applicable.

18.8 Disputes. If a dispute arises between the Parties relating to this Agreement, the following shall be the sole and exclusive procedure for enforcing the terms hereof and for seeking relief, including but not limited to damages, hereunder; provided, however, that a Party may seek injunctive relief from a court where appropriate solely for the purpose of maintaining the status quo while this procedure is being followed:

- (a) The Parties promptly shall hold a meeting of the Governance Council to attempt in good faith to negotiate a mutually satisfactory resolution of the dispute; provided, however, that no Party shall be under any obligation whatsoever to reach, accept or agree to any such resolution: provided further, that no such meeting shall be deemed to vitiate or reduce the obligations and liabilities of the Parties or be deemed a waiver by a Party hereto of any remedies to which such Party would otherwise be entitled.
- (b) If the Parties are unable to negotiate a mutually satisfactory resolution as provided above, any Party may so notify the other. In that event, the Parties agree to participate in good faith in mediation of the dispute. Such mediation shall conclude no later than forty-five (45) days from the date that the mediator is appointed. If the Parties are not successful in resolving the dispute through mediation, then the Parties agree to submit the matter to binding arbitration before a sole arbitrator in accordance with the CPR Rules for Non-Administered Arbitration. Within five business days after the selection of the arbitrator, each Party shall submit its requested relief to the other Party and to the arbitrator with a view toward settling the matter prior to commencement of discovery. If no settlement is reached, then discovery shall proceed. Upon the conclusion of discovery, each Party shall again submit to the arbitrator its requested relief (which may be modified from the initial submission) and the arbitrator shall select only the entire requested relief submitted by one Party or the other, as the arbitrator deems most appropriate. The arbitrator shall not select one party's requested relief as to certain claims or counterclaims and the other party's requested relief as to other claims or counterclaims. Rather, the arbitrator must only select one or the other Party's entire requested relief on all of the asserted claims and counterclaims, and the arbitrator will enter a final ruling that adopts in whole such requested relief. The arbitrator will limit his/her final ruling to selecting the entire requested relief he/she considers the most appropriate from those submitted by the Parties.
- (c) Mediation and, if necessary, arbitration shall take place in the City of Dearborn, Michigan unless the parties agree otherwise or the mediator or the arbitrator selected by the parties orders otherwise. Punitive or exemplary damages shall not be awarded. This clause is subject to the Federal Arbitration Act, 28 U.S.C.A. Section 1, et seq., or comparable legislation in non-U.S. jurisdictions, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction.

18.9 Counterparts. This Agreement may be executed by the parties in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute one and the same instrument.

18.10 Right to Audit.

(a) If requested by Ford, Visteon will permit Ford (which, for purposes of this Section 18.10, includes its authorized representatives) to:

(i) Examine all pertinent documents, data and other information relating to Visteon's obligations under this Agreement, any payment made to Visteon or any claim by Visteon;

(ii) View any facility or process relating to the Components or this Agreement, including those relating to production quality; and

(iii) Audit any facility or process to determine compliance with the requirements of this Agreement.

Any examination under this Section 18.10 will be conducted during normal business hours and upon advance written notice to Visteon.

(b) If requested by Ford, Visteon will use its best efforts to permit Ford to obtain from the subcontractors of, and vendors to, Visteon the information and permission to conduct the reviews specified in Section 18.10, regardless of any other right Ford may have to that information or facilities.

(c) Visteon will keep all relevant documents, data and other written information for at least two years following the termination of this Agreement.

[Remainder of Page left Intentionally Blank]

IN WITNESS WHEREOF, Ford and Visteon have caused this Agreement to be executed in multiple counterparts by their duly authorized representatives.

VISTEON CORPORATION

FORD MOTOR COMPANY

By: /s/ Daniel R. Coulson  
-----

BY: /s/ Don Leclair  
-----

Title: Executive Vice President  
And Chief Financial Officer

Title: Group Vice President & CFO

Date: 12/19/03

Date: 12/19/03

EXHIBIT IA

NORTH AMERICA COMMODITY GROUPS

- 1 Accumulators
- 2 Air Cleaners
- 3 Air Conditioning/Compressors
- 4 Air Handling System/Controls
- 5 Air/Fuel Charging System
- 6 Alternators
- 7 Axles
- 8 Bumpers
- 9 Carbon Cannisters
- 10 Catalytic Converters
- 11 Consoles
- 12 Door Trim
- 13 Driveshafts/Halfshafts
- 14 EATC
- 15 Electrical Modules
- 16 Exterior Plastics
- 17 Fuel Systems
- 18 Glass & Windows
- 19 Hoses
- 20 Ignition Coils
- 21 Instrument Clusters
- 22 Instrument Panels
- 23 Interior Acoustics
- 24 Interior Plastic Parts
- 25 IP Finish Panels
- 26 Lighting
- 27 Machined Parts
- 28 PCM
- 29 Power Steering Pumps
- 30 Radiators/Heat Exchangers
- 31 Radios
- 32 Security Systems
- 33 Sensors
- 34 Stampings
- 35 Starters
- 36 Steering Columns
- 37 Steering Gears
- 38 Suspension
- 39 Wiper Systems

EXHIBIT IB

DETERMINATION OF INCREMENTAL OR REPLACEMENT VEHICLES

VEHICLE ATTRIBUTES REVIEWED BEFORE MAKING A DETERMINATION

- - Segment (B, C, D, etc.)
- - Platform
- - Volume
- - Timing (when will it launch)
- - What other vehicles are dropping from the cycle plan, and those vehicles' characteristics and timing
- - Powertrain lineup
- - Assembly Plant vehicle goes into
- - Who is the marketing audience (what group of people is the vehicle aim at capturing)

Ford's Process for determining incremental/replacement status

Once per year, usually mid-year, the Ford Labor Affairs Sourcing Activity analyzes the cycle plan and makes an initial determination of incremental/replacement for all North American vehicles. The Ford Labor Affairs Sourcing Activity then shares its results with Purchasing and Product and Business Strategy. Upon consensus, the information is sent to various Executive Directors and Vice Presidents for their concurrence. Once concurrence is attained, the results will be shared with Visteon.

If Visteon does not agree with the incremental/replacement decision for a particular vehicle, then within five business days after being informed of the decision, Visteon may provide a written objection to the Ford Labor Affairs Sourcing Activity, including the supporting rationale for its objection. A final decision, including reasonable consideration of Visteon's position, will be made by the Executive Director-Ford Labor Affairs.

Once final, the results will be shared with all Ford internal activities involved in the Sourcing process and with Visteon.

EXHIBIT 3.1

[Material has been omitted and confidential treatment has been requested therefore. All such omitted material has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.]

EXHIBIT 4.2  
PRODUCT LINES NOT REQUIRING COMPETITIVE GAP CLOSURE PLANS

Alternators

Catalytic Converters

Electrical Modules

Fascias

Fuel Tanks

Glass

Starters

Steering Columns

Suspension Systems (Half shafts and misc. components)

Wipers/Washer Systems

EXHIBIT 6.1  
WAGE RATE ELEMENTS

Base Wages a/  
690 Variable Fringe  
Cost of Living Allowance (COLA)  
Christmas Bonus  
Shift Premium b/  
Local Training  
Paid Lunch  
Bereavement/Jury Duty/Military c/  
Workers' Compensation  
690 Accident/Sickness  
Fixed 690 Assessment  
Supplemental Unemployment Benefits (SUB) d/

- - - - -
- a/ Includes incentive pay, signing bonus and lump sums
  - b/ Includes seven day operators and alternative work schedule
  - c/ Includes paid absences, medical, and personal leave
  - d/ Includes SWW (Short Work Week)

EXHIBIT 10.1

COMPENSATION CALCULATION

This Exhibit outlines the calculation of the compensation to be paid by Ford to Visteon pursuant to Sections 2.2(e) and 10.1(e).

As used in this Exhibit 10.1, the following definitions shall have the meanings specified below:

"NET REVENUE" means sales less returns and allowances.

"CONTRIBUTION MARGIN" means Net Revenue less Variable Costs.

Contribution Margin is commonly referred to by Visteon as economic profit.

"PROFIT" means Contribution Margin less Fixed Costs.

"PROFIT ADJUSTMENT PERCENT" means Profit as a percentage of Net Revenue plus 8 percentage points.

"VARIABLE COSTS" means Material, Warranty, Freight, Variable Labor and Overhead, and Other Variable Costs.

"FIXED COSTS" means Fixed Manufacturing Labor and Overhead, Spending Related, Launching, Engineering, Administrative and Selling, and Other Fixed Costs accounted for determined in accordance with US GAAP applied consistent with Visteon's historical accounting practices. For clarity this excludes Other Income and Expense items such as Interest, and any costs included in the calculation of Contribution Margin.

The Parties also shall agree on the procedure used to categorize relevant accounts into the appropriate categories as well as a process to validate the classification. If there is disagreement over the meaning of any of the foregoing definitions or the categorization or process for validation, the respective Accounting Directors of the Parties shall meet to resolve the issues.

PROCESS

1. As of the date on which a re-sourced Component ceases production at Visteon, Visteon will prepare for the four preceding quarters in the aggregate a detailed income statement with costs categorized between Variable Costs and Fixed Costs, for sales by Visteon to Ford of all Components
2. Visteon will provide to Ford Finance Personnel (which includes their auditors and agents) support for the detailed income statement including, without limitation, allocation methods and calculations and provide historical data that supports consistent allocations or explains changes. Ford Finance Personnel will have access to Visteon's calculations, assumptions, and historical data, and Ford and Visteon will work diligently to reach agreement on the detailed income statements.
3. Once Ford and Visteon have agreed on the accuracy of the detailed income statement, the Profit Adjustment Percent will be calculated and agreed to between Ford and Visteon.
4. In January of the year after production of the re-sourced Component begins at the new supplier and subsequent years during which the re-sourced Component continues in production (excluding aftermarket), the Profit Adjustment Percent will be multiplied by the net revenue from the new supplier of the re-sourced Component and Ford will pay Visteon that sum within thirty days after the calculation has been agreed. This calculation and payment will continue for the shorter of (i) the term of the Purchase Order with the new supplier, (ii) the term of the Purchase and Supply Agreement including any subsequent extensions or renewals, or (iii) four years.
5. Notwithstanding the announcement of any re-sourcing, Visteon will provide productivity price reductions on the affected Component at the higher of (i) the percentage specified in Section 3.1(b) or (ii) the level agreed between Ford and Visteon as to such Component.

6. In accordance with Subsection 2.2(e) and 10.1(e), Ford has the right to propose New Business to Visteon to replace business that was not awarded or not renewed or terminated for Other Good Business Reasons. If Visteon accepts such New Business, then the financial results from such New Business will be used as an offset (partially or fully, as the case may be) against the compensation otherwise payable by Ford calculated in step 4 above.

2003 RELATIONSHIP AGREEMENT

BETWEEN

FORD MOTOR COMPANY

AND

VISTEON CORPORATION

DATED

DECEMBER 19, 2003

2003 RELATIONSHIP AGREEMENT

THIS 2003 RELATIONSHIP AGREEMENT is dated as of December 19, 2003 (this "Agreement") between Ford Motor Company, a Delaware corporation, ("Ford") and Visteon Corporation, a Delaware corporation ("Visteon").

R E C I T A L S

A. Visteon and Ford have the following common goals (the "Goals"):

- i. That Visteon achieves the goal of becoming a profitable and growing business and remains a top-quality supplier to Ford;
- ii. That Ford achieves competitive price reductions and achieves fully competitive prices from Visteon, over time, contributing to its profitable growth;
- iii. That Ford and Visteon work collaboratively to meet the commitments made in the UAW settlement in September 2003; and
- iv. That Ford and Visteon will establish a basic framework for working cooperatively on their ongoing commercial relationship.

B. To further the Goals, the Parties have agreed on several actions that are described in this Agreement.

C. To monitor the implementation of each of these actions, the Parties have agreed to establish a governance process that is designed to ensure that the intention of this Agreement, the Master Transfer Agreements and the Detailed Agreements is achieved.

The Parties have agreed as follows:

1. DEFINITIONS

All terms with initial capitalization used herein shall have the meanings specified below, except as otherwise specifically stated.

"AFFILIATE" means any Person directly or indirectly Controlling, Controlled by, or under common Control with, such Person. For purposes of this definition, the terms Control, Controlling, and Controlled mean having the right to elect a majority of the board of directors or other comparable body responsible for management and direction of a Person by contract, by virtue of share ownership, or otherwise.

"AGREEMENT" means this 2003 Relationship Agreement.

"AMENDED AND RESTATED EMPLOYEE TRANSITION AGREEMENT" means that certain Amended and Restated Employee Transition Agreement dated as of the date hereof between the Parties.

"AMENDED AND RESTATED HOURLY EMPLOYEE ASSIGNMENT AGREEMENT" means that certain Amended and Restated Hourly Employee Assignment Agreement dated as of the date hereof between the Parties.

"CHESTERFIELD AGREEMENTS" means the Chesterfield Transition and Stewardship Agreement dated as of April 1, 2003 among Johnson Controls, Inc. and the Parties and the related agreements referenced therein.

"CLONE AND GO AGREEMENT" means that certain Clone and Go Cost Sharing Agreement dated as of the date hereof between the Parties.

"DETAILED AGREEMENTS" means the Purchase and Supply Agreement, the Amended and Restated Hourly Employee Assignment Agreement, the Amended and Restated Employee Transition Agreement, the Hourly Employee Conversion Agreement, the Ford/Visteon Level 4 Support Amendment and the Clone and Go Agreement.

"HOURLY EMPLOYEE CONVERSION AGREEMENT" means that certain Hourly Employee Conversion Agreement dated as of the date hereof between the Parties.

"FORD" means Ford Motor Company, a Delaware corporation.

"FORD/VISTEON LEVEL 4 SUPPORT AMENDMENT" means that certain amendment to the (1) Software and Information Technology License Agreement, effective September 2, 2003 among the Parties and Ford Global Technologies, LLC and (2) Information Technology Services Agreement, effective June 27, 2000 between the Parties.

"MASTER AGREEMENT" means the collective bargaining agreement and all supplements thereto between Ford and the UAW dated September 15, 2003.

"MASTER TRANSFER AGREEMENTS" means the following agreements between the Parties: Master Transfer Agreement dated March 30, 2000, Master Separation Agreement dated June 1, 2000, the Information Technology Services Agreement dated as of June 27, 2000, the Software and Information Technology License Agreement effective September 2, 2003, and the Relationship Agreement dated January 1, 2000 between the Automotive Consumer Services Group (now Ford Customer Services Division) of Ford and Visteon.

"NEW VISTEON CBA AND SUPPLEMENT" means the new collective bargaining agreement and supplement under negotiation between the UAW and Visteon which negotiation is expected to be completed by March 5, 2004.

"OPEB LIABILITY" has the meaning specified in Section 3.4.

"PARTY" or "PARTIES" refers to Ford or Visteon individually or collectively.

"PERSON" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or a governmental entity or any department, agency or political subdivision thereof.

"PURCHASE AND SUPPLY AGREEMENT" means the Purchase and Supply Agreement dated as of the date hereof between Ford and Visteon.

"UAW" means the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America.

"UTICA AGREEMENT" means the Utica Agreement dated as of the date hereof between Visteon and Ford that relates to the purchase and supply of products produced by Visteon at its Utica Trim Plant.

"VISTEON" means Visteon Corporation, a Delaware corporation.

## 2. PURCHASE AND SUPPLY

2.1 Pursuant to the Purchase and Supply Agreement, (a) Ford has agreed to terms and conditions under which Ford will source components and systems and services to Visteon in North America, including payment terms as described in Section 4.1 hereof, investment sharing and pricing on certain business that takes into consideration labor cost differential issues; and (b) Visteon has agreed to terms and conditions related to components and systems and services sourced to Visteon, including productivity price reductions, design changes, competitive price gap closure, and capital investments. The Purchase and Supply Agreement also includes incentives designed to reduce the number of Ford hourly employees assigned to Visteon. The terms and conditions agreed by the Parties in the Purchase and Supply Agreement are designed to assist the Parties in reaching the Goals and shall govern with respect to these issues.

2.2 The Parties will enter into joint operating agreements with respect to various commodities that will include protocols with respect to engineering, design, and testing (ED&T) rates, component mark-ups and related terms, and general requirements relating to Visteon's support of Ford vehicle and component programs. The Parties will use good faith efforts to finalize these joint operating agreements by March 31, 2004.

## 3. EMPLOYEE MATTERS

3.1 The Parties and the UAW have agreed that, in addition to the New Visteon CBA and Supplement, Visteon will use its best efforts to negotiate with the UAW for the implementation of operating practices at the local level that are competitive with the U.S. automotive component and truck component industry at Visteon's facilities whose hourly employees are represented by the UAW under the Master Agreement. Upon and after the effective date of the New Visteon CBA and Supplement, persons who are hired by Visteon as hourly employees at applicable Visteon facilities will be solely Visteon employees and subject to the New Visteon CBA and Supplement. The Parties and the UAW also have agreed that certain active hourly employees of Visteon who are UAW-represented will become hourly employees of Ford as of December 22, 2003 under the conditions of the Hourly Employee Conversion Agreement.

- 3.2 The Parties also have agreed to make certain amendments to the Employee Transition Agreement dated as of April 1, 2000 between the Parties. Such amendments are reflected in the Amended and Restated Employee Transition Agreement.
- 3.3 The Parties also have agreed to make certain amendments to the Hourly Employee Assignment Agreement dated as of April 1, 2000 between the Parties. Such amendments are reflected in the Amended and Restated Hourly Employee Assignment Agreement.
- 3.4 The Amended and Restated Hourly Employee Assignment Agreement provides that at December 31, 2003 Ford will bear a significant portion of the OPEB SFAS 106 balance sheet liability (the "OPEB Liability") related to pre-separation service of Ford hourly employees assigned to work at Visteon.
- 3.5 The time period for pre-funding Visteon's post-separation OPEB liability to Ford hourly employees assigned to work at Visteon has been extended from 2020 to December 31, 2049. The Amended and Restated Hourly Employee Assignment Agreement contains the specifics of the foregoing agreement.
- 3.6 Visteon will transfer assets and obligations relating to the pensions and other benefits for those hourly employees of Visteon who become hourly employees of Ford as of December 22, 2003. The Hourly Employee Conversion Agreement contains the specifics of the foregoing agreement.
- 3.7 Visteon will reimburse Ford for the amount of profit sharing paid by Ford to its hourly employees who are assigned to work at Visteon up to a maximum amount. The Amended and Restated Hourly Employee Assignment Agreement contains the specifics of the foregoing agreement.
- 3.8 The Parties intend that over time there will be no Ford employees working at Visteon plants and the Parties will cooperate to facilitate this goal. At present conditions, Ford has identified a need for incremental hourly employees to meet its operating requirements for the 2004-2007 period. It is intended that flowing Ford hourly employees from Visteon to Ford (subject to the Master Agreement), and replacing them at Visteon as required with Visteon hourly employees will assist in meeting this requirement. Subject to the requirements of the Master Agreement, the Parties intend for no more Ford hourly employees to be assigned from Ford to Visteon.
4. OTHER MATTERS
- 4.1 Ford has agreed to change the payment terms for certain payables to Visteon in order to facilitate Visteon's near-term investment in the UAW plants. The Purchase and Supply Agreement contains the specifics of the foregoing agreement.
- 4.2 Ford and Visteon have agreed to productivity price reductions due from Visteon for calendar year 2003 in lieu of any additional 2003 productivity price reductions; provided that this settlement does not include productivity commitments that have already been

separately agreed by the Parties. The Purchase and Supply Agreement contains the specifics of the foregoing agreement.

5. IT SEPARATION

5.1 The Parties have agreed to a process and cost-sharing for the creation of a separate IT environment for Visteon through the cloning of Ford's IT systems and other actions. The Clone and Go Agreement contains the specifics of the foregoing agreement.

5.2 The Parties have entered into the Ford/Visteon Level 4 Support Amendment whereby Ford agrees to provide limited Level 4 information technology support services to Visteon, and Visteon agrees to pay for such services in connection with the creation of a separate IT environment through cloning Ford's IT systems and other actions.

5.3 The Parties also have agreed to a mutual release of all claims related to IT activities since the separation of Visteon from Ford. This release is found in the Clone and Go Agreement.

6. GOVERNANCE

6.1 In order to monitor the performance of the Parties toward achievement of the Goals under the Detailed Agreements, Ford and Visteon shall establish a governance council (the "Governance Council"). The membership, objectives, responsibilities and process for the Governance Council are set forth on Exhibit A attached hereto.

7. CHESTERFIELD AND UTICA

7.1 The Parties have entered into the Chesterfield Agreements and Utica Agreement which agreements reflect their understandings related to the Chesterfield Plant and the Utica Plant. None of the Detailed Agreements are intended to modify or amend either of the Chesterfield Agreements or the Utica Agreement.

8. SETTLEMENT OF MATTERS IN DISPUTE

8.1 The Parties have resolved certain matters (the "Claims") and will undertake such measures as may be necessary to reflect such resolution and to dismiss any outstanding litigation or arbitration proceeding currently in process with respect to such Claims.

9. COVENANTS AND REMEDIES

9.1. A Party (a "Non-Defaulting Party") may give notice to the other Party (the "Defaulting Party"), upon occurrence of any of the following events, any one of which will be considered to be an "Event of Default":

- (a) Default by a Party. Any default by the Defaulting Party in the performance of any obligation or in the observance of any restriction (i) in this Agreement, or (ii) in any Detailed Agreement, or (iii) in any of the Master Transfer Agreements which default may not be cured or is not effectively cured after a period of 30

days after written notice thereof has been given by the Non-Defaulting Party; provided that if such default cannot be cured within 30 days, then the Defaulting Party shall have a reasonable period to cure the default (not to exceed 90 days), during which period the Defaulting Party shall at all times diligently pursue a cure;

- (b) Termination of Existence Initiated by a Party. The Defaulting Party commences any Proceeding to wind up, dissolve, or otherwise terminate its legal existence;
- (c) Termination of Existence Initiated by Another Person. Any proceeding is commenced against the Defaulting Party that seeks or requires the winding up, dissolution, or other termination of its legal existence, unless the proceeding is defended or contested in good faith by the Defaulting Party within 30 days of the commencement of the proceeding in a manner that stays it and such defense or contest is pursued diligently thereafter;
- (d) Bankruptcy. Either (a) the Defaulting Party seeks relief by any proceedings of any nature under any applicable laws for the relief of debtors; or (b) the institution against the Defaulting Party of a proceeding under any applicable bankruptcy or similar law of any jurisdiction in which the Defaulting Party carries on its business, unless the proceeding is defended or contested in good faith by the Defaulting Party within 15 days of the commencement of the proceeding in a manner that stays the proceedings and then only so long as such defense or contest is pursued diligently thereafter;
- (e) Appointment of a Receiver. The appointment of a receiver, receiver-manager, trustee, custodian or like officer for all or a substantial part of the business or assets of the Defaulting Party, unless the appointment is defended or contested in good faith by the Defaulting Party within 30 days of the commencement of the appointment in a manner that stays the appointment and then only so long as such defense or contest is pursued diligently thereafter; or
- (f) Assignment for Benefit of Creditors. The Defaulting Party makes an assignment of a substantial part of its assets for the benefit of its creditors.

9.2. Upon the occurrence of an Event of Default, the Non-Defaulting Party may elect one or more of the following remedies:

- (a) Termination of this Agreement, in whole or in part, and any such termination shall not be deemed a waiver or release of, or otherwise prejudice or affect, any rights, remedies or claims, whether for Damages or otherwise, which the Non-Defaulting Party may then possess under this Agreement or which arise as a result of such termination; and
- (b) Termination of any Detailed Agreement, in whole or in part, and any such termination shall not be deemed a waiver or release of, or otherwise prejudice or affect, any rights, remedies or claims, whether for Damages or otherwise, which

the Non-Defaulting Party may then possess under this Agreement or which arise as a result of such termination; and

(c) Recovery of Damages arising from the Default.

9.3 Ford may terminate this Agreement in the event that thirty-five percent or more of the voting shares of Visteon become owned or controlled, directly or indirectly, by a competitor of Ford in the business of manufacturing motor vehicles.

9.4 A Non-Defaulting Party intending to terminate this Agreement pursuant to this Article 9 as a result of an Event of Default occurring under Subsections 9.1(a) or (b) shall first notify the Governance Council and the Defaulting Party of the grounds for the intended termination. If the Defaulting Party fails to remedy such grounds for termination within sixty (60) days of such notice (or any longer period of time as mutually agreed by the Parties), then the Non-Defaulting Party may terminate this Agreement effective upon notice to the Defaulting Party without the need for any judicial action.

9.5 The provisions of this Article 9 are without prejudice to any other rights or remedies either Party may have by reason of the default of the other party.

#### 10. TERM

10.1 The term of this Agreement shall continue until the last of the Detailed Agreements has expired or been terminated.

#### 11. MISCELLANEOUS

11.1 No Agency. Except as specifically provided in any of the Detailed Agreements, neither this Agreement nor any Detailed Agreement makes either Party the agent or legal representative of the other Party. Neither Party is authorized to create any obligation on behalf of the other Party.

11.2 Notices. Any notice under this Agreement must be in writing (letter, facsimile) and will be effective when received by the addressee at its address indicated below.

(a) Notice sent to Visteon will be addressed as follows:

Visteon Corporation  
290 Town Center Dr.  
10th Floor, Fairlane Plaza North  
Dearborn, MI 48126  
Attention: General Counsel  
Fax: (313) 755-2762

(b) Notice sent to Ford will be addressed as follows:

Ford Motor Company  
Office of the Secretary  
One American Road  
12th Floor World Headquarters  
Dearborn, Michigan 48126  
Fax: (313) 248-7036

(c) The Parties by notice hereunder may designate other addresses to which notices will be sent.

- 11.3 Amendments. No amendment to this Agreement will be binding upon either Party unless it is in writing and is signed by a duly authorized representative of each Party. This Agreement supersedes any prior agreements between the Parties concerning the subject matter herein.
- 11.4 Assignments. This Agreement shall be binding upon and inure to the benefit of the Parties, and their respective successors and permitted assigns, but no rights, interests or obligations of either Party herein may be assigned without the prior written consent of the other, which consent shall not be unreasonably withheld.
- 11.6 Severability. If any provision of this Agreement, or portion thereof, is invalid or unenforceable under any statute, regulation, ordinance, executive order or other rule of law, such provision, or portion thereof, shall be deemed reformed or deleted, but only to the extent necessary to comply with such statute, regulation, ordinance, order or rule, and the remaining provisions of this Agreement shall remain in full force and effect.
- 11.7 Governing Law. This Agreement will be construed and enforced in accordance with the laws of the State of Michigan, excluding its conflict of laws rules. Each Party consents, for purposes of enforcing this Agreement, to personal jurisdiction, service of process and venue in any state or federal court within the State of Michigan having jurisdiction over the subject matter. The Parties exclude the application of the 1980 United Nations Convention on Contracts for the International Sale of Goods, if otherwise applicable.
- 11.8 Agreement Conflicts. In the event of a conflict between the terms of this Agreement and any Detailed Agreement, the terms of the Detailed Agreement shall control.
- 11.9 Disputes. If a dispute arises between the Parties relating to this Agreement, the following shall be the sole and exclusive procedure for enforcing the terms hereof and for seeking relief, including but not limited to damages, hereunder; provided, however, that a Party may seek injunctive relief from a court where appropriate solely for the purpose of maintaining the status quo while this procedure is being followed:
- (a) The Parties promptly shall hold a meeting of the Governance Council to attempt in good faith to negotiate a mutually satisfactory resolution of the dispute; provided, however, that no Party shall be under any obligation whatsoever to reach, accept or agree to any such resolution; provided further, that no such

meeting shall be deemed to vitiate or reduce the obligations and liabilities of the Parties or be deemed a waiver by a Party hereto of any remedies to which such Party would otherwise be entitled.

- (b) If the Parties are unable to negotiate a mutually satisfactory resolution as provided above, any Party may so notify the other. In that event, the Parties agree to participate in good faith in mediation of the dispute. Such mediation shall conclude no later than forty-five (45) days from the date that the mediator is appointed. If the Parties are not successful in resolving the dispute through mediation, then the Parties agree to submit the matter to binding arbitration before a sole arbitrator in accordance with the CPR Rules for Non-Administered Arbitration. Within five business days after the selection of the arbitrator, each Party shall submit its requested relief to the other Party and to the arbitrator with a view toward settling the matter prior to commencement of discovery. If no settlement is reached, then discovery shall proceed. Upon the conclusion of discovery, each Party shall again submit to the arbitrator its requested relief (which may be modified from the initial submission) and the arbitrator shall select only the entire requested relief submitted by one Party or the other, as the arbitrator deems most appropriate. The arbitrator shall not select one Party's requested relief as to certain claims or counterclaims and the other Party's requested relief as to other claims or counterclaims. Rather, the arbitrator must only select one or the other Party's entire requested relief on all of the asserted claims and counterclaims, and the arbitrator will enter a final ruling that adopts in whole such requested relief. The arbitrator will limit his/her final ruling to selecting the entire requested relief he/she considers the most appropriate from those submitted by the Parties.

(c) Mediation and, if necessary, arbitration shall take place in the City of Dearborn, Michigan unless the Parties agree otherwise or the mediator or the arbitrator selected by the Parties orders otherwise. Punitive or exemplary damages shall not be awarded. This clause is subject to the Federal Arbitration Act, 28 U.S.C.A. Section 1, et seq., or comparable legislation in non-U.S. jurisdictions, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction.

11.10 Counterparts. This Agreement may be executed by the Parties in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute one and the same instrument.

11.11 Binding Agreement. To the extent that a Detailed Agreement is binding upon or inures to the benefit of one or more subsidiaries or affiliates one of the Parties to this Agreement, then a default under such Detailed Agreement by or against one of such subsidiaries or affiliates shall be deemed a default under this Agreement and shall give rise to the rights hereunder with respect to the Governance Council and under Article 9 hereunder.

IN WITNESS WHEREOF, Ford and Visteon have caused this Agreement to be executed in multiple counterparts by their duly authorized representatives.

VISTEON CORPORATION

FORD MOTOR COMPANY

By: /s/ Daniel R. Coulson

By: /s/ Don Leclair

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Title: Executive Vice President  
and Chief Financial Officer

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Title: Group Vice President & CFO

Date: 12/19/03

Date: 12/19/03

EXHIBIT A  
Governance Council

CHARTER

- - Provide a forum in which senior members of the Ford and Visteon leadership teams will:
  - Monitor the Ford-Visteon relationship on a global basis-with a particular emphasis on sourcing and pricing decisions in North America;
  - Assess progress toward the goals of the 2003 Relationship Agreement, including:
    - That Visteon achieves the goal of becoming a profitable and growing business and remains a top-quality supplier to Ford, as was contemplated at the time of Visteon's spin-off from Ford;
    - That Ford achieves competitive price reductions and achieves fully competitive prices from Visteon, over time, contributing to its profitable growth.
    - That Ford and Visteon work collaboratively to meet the commitments made in the UAW settlement in September 2003.
    - That Ford and Visteon will establish a basic framework for working cooperatively on their ongoing commercial relationship.
  - Recommend actions to their respective teams to support achievement of the goals stated above.
  - Resolve interpretations of the 2003 Relationship Agreement and resultant policy when required.

AUTHORITY

- - It is expected that the co-chairs of the Council will be delegated authority, as appropriate, from their respective CEO's to commit their companies to actions to carry out the intent of the agreement.

WHAT THE GOVERNANCE COUNCIL WILL DO

- - Set the standards for the relationship between Ford and Visteon by ensuring that both Parties meet the letter and spirit of the agreement; monitor the relationship between the companies, and take action if required.
- - Review, on a regular basis, decisions made by both Parties for alignment with the 2003 Relationship Agreement-with a particular emphasis on sourcing decisions by Ford and pricing actions by Visteon; discuss emerging issues and progress toward near-term objectives.
- - Conduct quarterly business reviews to assess each Party's progress toward the goals of the 2003 Relationship Agreement.
- - Communications coordination.
- - Review major new actions that could accelerate accomplishment of the goals in the 2003 Relationship Agreement and assign joint work teams to pursue actions requiring collaboration between the companies.
- - Review disputes or potential issues that involve interpretation of policy or actions deemed by either Party to be inconsistent with the intent of the 2003 Relationship Agreement and provide guidance to the appropriate executives in resolving them.

WHAT THE GOVERNANCE COUNCIL WILT NOT DO

- - Negotiate prices, terms, or conditions or intervene in normal commercial negotiations.
- - Approve individual sourcing decisions.
- - Exceptions to the above include disputes about interpretation of policy or consistency with the intent of the agreement, or compliance with the terms of the Purchase and Supply Agreement.

RECOMMENDED MEMBERSHIP

- - Ford: Chief Financial Officer (co-chair), President, North American Operations, Vice President-Labor Affairs
- - Visteon: Chief Financial Officer (co-chair), President and Chief Operating Officer, Senior Vice President-Corporate Relations
- - Co-Secretaries: One appointee from each of Ford and Visteon

MEETING FREQUENCY

- - Monthly
- - It is expected that after the meetings and review process are well established, the meeting frequency could be reduced to quarterly. If this occurs, the co-secretaries would monitor selected data and decisions and keep committee members advised, as appropriate, with periodic (e.g. monthly) status reports between meetings.

## AMENDED AND RESTATED HOURLY EMPLOYEE ASSIGNMENT AGREEMENT

This Amended and Restated Hourly Employee Assignment Agreement (the "Agreement") is entered into as of April 1, 2000, and amended and restated as of December 19, 2003 by and among Visteon Corporation, a corporation organized under the laws of the state of Delaware, ("Visteon") and Ford Motor Company, a corporation organized under the laws of the state of Delaware, ("Ford"). Ford and Visteon are referred to herein individually as a "Party" and collectively as the "Parties".

## RECITALS

A. As of April 1, 2000, Ford employed directly approximately 23,580 U.S. hourly employees ("Ford Hourly Employees") who were engaged in the business of manufacturing and assembling automotive parts and services then being conducted under the name of Visteon Automotive Systems, an enterprise of Ford Motor Company, including those activities conducted by its subsidiaries and affiliates (the "Business");

B. The Ford Hourly Employees were and still are represented by the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America, UAW and its affiliated Locals 228, 400, 600, 723, 737, 845, 848, 849, 892, 898, 1111, 1216 and 1895 (collectively, "UAW") and are covered under the terms and conditions of the Ford-UAW Collective Bargaining Agreement dated as of September 15, 2003 between Ford and the UAW and various local agreements by and between Ford and UAW ("Ford-UAW CBA"). For purposes of this Agreement, the Ford Hourly Employees do not include the hourly employees of subsidiaries or affiliates of Ford which are included in the Business.

C. Pursuant to a Master Transfer Agreement dated as of April 1, 2000 by and among Visteon and Ford ("Master Transfer Agreement"), Visteon acquired the assets and assumed the liabilities of the Business from Ford;

D. Visteon desired to continue to utilize the services of the Ford Hourly Employees for its Business;

E. Ford desired to assign its Ford Hourly Employees to Visteon for the purpose of enabling Visteon to conduct the Business;

F. Visteon became an entity independent of Ford as of June 29, 2000; and

G. The Parties desire to amend and restate this Agreement in its entirety as provided below, effective as of the date first above written;

NOW, THEREFORE, in consideration of the premises and mutual promises herein made, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Term. The term of this Agreement shall commence on June 29, 2000 such date being referred to hereafter as the Effective Date, and shall terminate at the earlier to occur of (a) the termination of employment of all of the Ford Assigned Employees, as defined in Paragraph 2 below, or (b) the agreement of the Parties to terminate. The term shall be known as the "Assigned Period." Nothing herein contained shall be construed to imply that Visteon's obligations to hourly employees represented by the UAW and hired by Visteon after the Effective Date ("Visteon Hourly Employees") extend beyond the Mirror Period, as defined in Paragraph 13.

2. Purchased Services. During the Assigned Period, Ford shall supply Visteon with those Ford Assigned Employees who are assigned to the Business as of the Effective Date, including any inactive employees (the "Initial Ford Assigned Employees"). On the Effective Date, Ford shall provide to Visteon a preliminary list of the Initial Ford Assigned Employees as of the Effective Date, together with their base hourly wage rate, Ford service date, job classification, location code, social security number, and the reason for any absence of an inactive employee and the date any leave expires. Ford shall finalize the list of Initial Ford Assigned Employees as of the Effective Date no later than thirty (30) days after the Effective Date, subject to Visteon review. Ford shall update such list at least monthly for employee quits, retirements, transfers from Ford facilities to Visteon's facilities, transfers from Visteon's facilities to Ford facilities or transfers between hourly and salaried status at Visteon, in connection with the invoice procedure specified in Section 8. The Initial Ford Assigned Employees and any replacement employees under the process described above, shall be known for purposes of this Agreement as the "Ford Assigned Employees." Ford Assigned Employees and all other hourly employees employed by Ford and covered by the Ford-UAW CBA shall retain their transfer rights under the Ford-UAW CBA.

3. Employer Definition. During the Assigned Period, Ford shall retain responsibility for all payments and benefits due to the Ford Assigned Employees in connection with the work relating to the Business, including but not limited to

- (i) the payment of Ford Assigned Employees' base hourly wage or other components of pay as required under the Ford-UAW CBA now in existence or as modified hereafter (less any applicable withholding or other taxes or any amounts deducted from such wages pursuant to normal payroll practices of Ford);
- (ii) the provision of all other employee benefits generally provided by Ford to other hourly employees of Ford covered by the Ford-UAW CBA;

- (iii) payment of all federal, state, or local taxes withheld or otherwise required to be paid with respect thereto; and
- (iv) the liability for statutory benefits, including workers' compensation, payable to employees.

4. Management of Employees. While Ford will retain legal responsibility for administering the terms of the Ford-UAW CBA with respect to the Ford Assigned Employees, Visteon, as Ford's agent, will have full and complete authority to exercise day to day supervision over the Ford Assigned Employees, including assigning work and evaluating, supervising, disciplining and discharging such employees in accordance with the terms of the Ford-UAW CBA. If any of those decisions are challenged by a Ford Assigned Employee through a grievance procedure, in judicial proceedings, or in any other forum, Visteon will have the sole responsibility for determining how those challenges should be handled and resolved (including but not limited to the sole authority for making a decision whether to settle or defend the challenged matter), provided, however, that Visteon shall comply with any decision rendered by an umpire, arbitrator, officer of a state administrative agency or judge of any court of competent jurisdiction with respect to such matter, subject to Visteon's right of appeal. Notwithstanding the provision set forth above, Visteon will advise Ford of any major issues that arise under the Ford-UAW CBA, or other major employment related matters affecting or potentially affecting UAW hourly represented Ford employees, or matters that could materially impact the Ford-UAW relationship. If Visteon advises Ford of any such issue or matter, or if such issue or matter otherwise comes to the attention of Ford and Ford in its sole judgment considers the issue or matter to fit the criteria above, Ford will notify Visteon that Ford desires to participate in the resolution of such issue or matter. As soon as practical after such notice is given, Visteon and Ford will meet to discuss the issue or matter through the Governance Council described in Section 16 and determine the appropriate course of action for handling or resolving the issue or matter. If a common approach cannot be agreed and Ford decides to pursue its own resolution of the issue or matter, then Ford shall relieve Visteon of its role as agent of Ford with respect to such issue or matter and Ford shall pursue the issue or matter in Ford's sole discretion. Visteon shall provide Ford on a weekly basis a summary of the hours of service rendered by each of the Ford Assigned Employees during the preceding week. In addition, Visteon shall provide Ford with such information or documents as Ford may reasonably request with respect to Ford Assigned Employees. Visteon will share any such information with Ford (other than non-job related personal care received by the Ford Assigned Employees unless related to a legitimate business interest of Ford) regardless of any claim of privilege or confidentiality because Ford is an employer of the Ford Assigned Employees.

5. Payroll and Related Services. During the Assigned Period, Ford shall provide payroll processing services for the Ford Assigned Employees including, but not limited to, the following: weekly payroll, quarterly and annual payroll tax deductions and filings, including deductions and payments for income and Social Security tax requirements under local, state and federal laws; personnel record maintenance,

authorized income withholding orders, insurance or other withholdings; employee verification; retirement plan processing and annual W-2 forms; and reporting of hours by Visteon location for Visteon to administer the Visteon local training funds.

6. Employee Benefit Plans.

6.1 Identification of Plans. During the Assigned Period, Ford shall cover the Ford Assigned Employees under the same employee benefit and fringe benefit plans and arrangements generally offered to other hourly represented UAW employees of Ford, at the same time, and the Ford Assigned Employees shall be ineligible to participate in any employee benefit plan or fringe benefit program sponsored by Visteon. Ford reserves the right to modify, terminate or suspend any plan applicable to any Ford Assigned Employee, subject to the Ford-UAW CBA.

6.2 Administration of Plans. During the Assigned Period, Ford or its designee shall maintain, administer and manage all employee benefit and fringe benefit plans and arrangements offered to the Ford Assigned Employees.

7. Fees. Unless otherwise specifically provided herein, Ford shall be reimbursed monthly for the direct wage and benefit costs for the Ford Assigned Employees, except with respect to reimbursement for item (iii) below with respect to Retiree Health Care and Retiree Life Insurance, in which case any such reimbursement shall be made directly to the applicable benefit plan. For purposes of this Section 7, "direct wage and benefit costs" for which reimbursement is required shall include:

- (i) The weekly gross wage, and any other type of compensation such as Christmas bonus, moving allowance, and any other cash compensation not included in the Standard Monthly Group Fringe cost referred to in (ii) below, except with respect to profit share, see item (viii) below, payable by Ford to each Ford Assigned Employee for work performed during the Assigned Period;
- (ii) A per-employee Standard Monthly Group Fringe cost as published from time to time by Ford in the PF-4 (U.S. Labor Assumptions) less the accrual rates for Retirement Plans-Pensions, Retiree Health Care, and Retiree Life Insurance;
- (iii) Payments for Retirement Plans-Pensions, Retiree Health Care and Retiree Life Insurance related to the Ford Assigned Employees, according to the methodology set forth in Attachment A hereto;
- (iv) Expenses incurred by Ford with respect to each Ford Assigned Employee that are not included in (i) through (iii) above and arises as a result of such employee's work for the Business, such as reserves for any, workers' compensation claims arising out of any work accident while

the Ford Assigned Employee was performing work for the Business, regardless of when the claim occurred and disability claims with respect to each Ford Assigned Employee to the extent such claims are not covered by insurance. Visteon will assume responsibility as Ford's agent, for accruing and administering the local training funds pursuant to the Ford-UAW CBA. In the event Ford incurs expense for local training funds relating to the Business, Visteon shall reimburse Ford for such expense;

- (v) Reasonable and necessary travel and business related expenses related to Ford Assigned Employees incurred by Ford on behalf of the Business and paid or reimbursed to such employee by Ford as authorized by Ford's standard travel and business expense reimbursement policy;
- (vi) All assessments, premiums or other taxes incurred and paid by Ford with respect to the Ford Assigned Employees not otherwise paid under section (i) through (v) above, including the annual Michigan Single Business Tax cost to Ford resulting from the assignment of the Ford Assigned Employees to Visteon under this Agreement;
- (vii) Direct out-of-pocket incremental costs incurred by Ford in the establishment and administration of benefit programs applicable to Ford Assigned Employees including, but not limited to, legal fees, record keeping, actuarial, and accounting fees not otherwise payable from the Ford-UAW Retirement Plan trust or the Tax Efficient Savings Plan for Hourly Employees; and
- (viii) For each of calendar years 2000 through 2003, annual profit share payable by Ford to each Ford Assigned Employee, provided, however, that any aggregate profit share reimbursement shall be limited to the lesser of (A) \$50 million, or (B) the aggregate actual profit share payable for such year with respect to the Ford Assigned Employees. For each calendar year commencing on or after January 1, 2004 until the termination of this Agreement, annual profit share payable to each Ford Assigned Employee determined by employee count on December 31 provided, however, that any per employee profit share reimbursement shall be limited to the lesser of (A) \$2,040 (the "Profit Share Cap") or (B) the actual profit share payable for such year with respect to such employee. The Profit Share Cap excludes any employer payroll taxes payable with respect to the payment and Visteon shall remain responsible for reimbursing Ford for such taxes as provided in (vi) above. In the event that Ford is required to pay a profit share based on an Alternative Profit Sharing Calculation pursuant to any current letter of understanding with the UAW, the Profit Share Cap will apply only to the portion of the profit share payment attributable to Ford's profits. The

portion of the profit share payment attributable to Visteon's profits will not be subject to the Profit Share Cap.

8. Payment. Within fifteen (15) days after the end of each calendar month during the Assigned Period, Ford shall render an invoice to Visteon in such form and containing such detail as Visteon shall reasonably require, for direct wage and benefit costs which Ford has incurred with respect to the Ford Assigned Employees consistent with the Ford-UAW CBA and which were not previously invoiced. In rendering such reports, Ford will not be required to undertake any modifications to its information systems in order to render the detail requested by Visteon. Unless some other form of payment is agreed between Visteon and Ford, Visteon shall pay Ford this amount within ten (10) business days of receipt of the invoice by wire transfer into a Ford designated account. Visteon shall have a right to audit the invoices and related records of Ford upon reasonable notice during normal business hours, at a place mutually agreed by the Parties. To the extent the Parties agree the payment should be adjusted as a result of such audit, any overpayments will be applied to the next payment(s) due from Visteon and any underpayments will be added to the next invoice issued by Ford.

9. Workers' Compensation and Unemployment Insurance. Ford shall continue to provide Workers' Compensation and Unemployment Compensation coverage for the Ford Assigned Employees at all times during the term of this Agreement.

10. Work Environment.

10.1 Compliance With All Health and Safety Laws. Visteon shall maintain its facilities at its sole cost and expense so as to provide a work environment in conformance with legal requirements.

10.2 Compliance with Employment Laws. The Parties shall comply with all applicable national, federal, state and local employment laws, including, but not limited to, wage and hour, overtime, discrimination laws, and/or local employment ordinances.

11. Noninterference. In the event that Visteon desires to hire a Ford Assigned Employee to become a Visteon Hourly Employee or a Visteon salaried employee, Ford shall not interfere or restrict such employee from accepting any Visteon offer of employment.

12. Assumption of Liability. As of the Effective Date, Visteon will assume liability and responsibility for all pending employment claims with respect to the Ford Assigned Employees that relate to the Business, provided, however, that Visteon shall not assume any obligation or liability of Ford with respect to the following litigation: Michael Jones et al v. Ford Motor Company filed on June 9, 1993 in U.S. District Court, District of Minnesota, regarding discrimination allegations. With respect to those claims

assumed, Visteon will have sole responsibility for deciding how to defend the claims (e.g. whether to settle or litigate).

13. Visteon Role in Ford-UAW Bargaining. Pursuant to the terms of a Plant Closing and Sale Moratorium letter dated October 9, 1999 by and between Ford and the UAW, the parties agreed that Ford would be permitted to spin-off, sell or otherwise transfer the Business pursuant to certain conditions including that (i) Visteon would agree to adopt a collective bargaining agreement for the Visteon Hourly Employees that would mirror the Ford-UAW CBA for the 1999-2003 contract period and for the next two contract periods ("Restricted Period") and (ii) in accordance with the Visteon-UAW CBA, Visteon Hourly Employees hired during the Restricted Period are to be provided with wages, benefits and other terms and conditions of employment by Visteon which are a mirror of the successive Ford-UAW CBA's for the duration of their employment with and retirement from Visteon ("Continuation Period") (the Restricted Period and the Continuation Period to be known collectively as the "Mirror Period"). For a period at least equal to the Mirror Period, Ford will include Visteon in negotiations planning and strategy development and will consult in good faith with Visteon concerning the terms of any CBA applicable to Ford Assigned Employees before entering into such CBA. Nothing in this Agreement shall be construed to preclude Visteon and the UAW or any other union from negotiating different terms and conditions of employment for the Visteon Hourly Employees which are mutually satisfactory to those parties.

Notwithstanding the above, pursuant to the terms of a Memorandum of Understanding between Visteon, Ford and the UAW effective September 15, 2003 (the "Memorandum"), the parties thereto agreed that Visteon would adopt a CBA which mirrors in all respect, the 2003-2007 UAW-Ford National Agreement ("New UAW/Visteon CBA"). It was also agreed that the UAW and Visteon would meet within 90 days of the ratification of the 2003-2007 UAW-Ford National Agreement, and within 90 days of the date the meeting commences, negotiate towards a supplement to the New UAW/Visteon CBA (the "Supplement") consistent with the terms described in the Memorandum. Accordingly, commencing on the effective date of the Supplement, Ford will include Visteon in negotiations planning and strategy development and will consult in good faith with Visteon concerning the terms of any CBA applicable to Ford Assigned Employees before entering into such CBA until the termination of the Restricted Period. To the extent Ford Assigned Employees continue to be assigned after the Restricted Period, the Parties shall meet prior to the commencement of bargaining to discuss Visteon's appropriate role in relation to the number of Ford Assigned Employees. Pursuant to the Memorandum, it was agreed that employees hired by Visteon under the terms of the Visteon CBA adopted June 29, 2000 would be transferred to Ford and become Ford Hourly Employees subject to assignment back to Visteon under the terms of this Agreement. Visteon and Ford have entered into an Hourly Employee Conversion Agreement to effectuate such transfer.

14. Future Changes. Under the Ford-UAW CBA, the local parties may agree to local continuous improvement initiatives to improve operational effectiveness. Ford will support Visteon's efforts to secure appropriate changes in work rules and practices,

or other local continuous improvement initiatives, to improve operational effectiveness. Nothing herein contained in this Agreement shall be construed as to interfere with Visteon's rights as an employer to pursue its own aims in the collective bargaining process with the UAW with respect to Visteon Hourly Employees. If Visteon and the UAW agree that Ford Assigned Employees should become Visteon Hourly Employees subject to the terms of the Visteon-UAW CBA, Ford shall cooperate in transferring the employment of the Ford Assigned Employees to Visteon, provided however, that Ford incurs no additional cost with respect thereto.

15. Management of Worker's Compensation Claims. The Parties recognize that because Ford will remain an employer of the Ford Assigned Employees, Visteon may have limitations on its ability to control and manage worker's compensation claims relating to the Ford Assigned Employees. Ford and Visteon will work together to develop and implement a strategy and process for minimizing and reducing those claims.

16. Governance Council. Pursuant to the Relationship Agreement, the Parties agreed to establish a Governance Council. The membership, objectives, responsibilities and process for the Governance Council are set forth on Exhibit A to the Relationship Agreement and are incorporated herein by reference.

17. Indemnity.

17.1 Visteon Indemnity. Visteon shall indemnify Ford against and agrees to hold it harmless from any and all damage, loss, claim, liability and expense (including without limitation, reasonable attorneys' fees and expense in connection with any action, suit or proceeding brought against Ford) incurred or suffered by Ford arising out of (i) breach of any agreement made by Visteon hereunder; (ii) any claim by Ford Assigned Employees (or their dependents or beneficiaries) arising out of or in connection with the operation, administration, funding or termination of any of Visteon's employee benefit plans or programs, whenever made, including, without limitation, claims made to the Pension Benefit Guaranty Corporation ("PBGC"), the Department of Labor ("DOL"), or the Internal Revenue Service ("IRS"); or (iii) employment claims of Ford Assigned Employees whenever made based on conditions or actions arising prior to or during the Assigned Period, except as provided in Section 17.2 (iii) below.

17.2 Ford Indemnity. Ford shall indemnify Visteon against and agrees to hold it harmless from any and all damage, loss, claim, liability and expense (including without limitation, reasonable attorneys' fees and expenses in connection with any action, suit or proceeding brought against Visteon) incurred or suffered by Visteon arising out of (i) breach of any agreement made by Ford hereunder; (ii) any claim by Ford Assigned Employees (or their dependents or beneficiaries) arising out of or in connection with the operation, administration, funding or termination of any of the employee benefit plans or programs applicable to the Ford Assigned Employees, whenever made, including without limitation, claims

made to the PBGC, the DOL, or the IRS; or (iii) employment claims of the Ford Assigned Employees that arise before or during the Assigned Period where the liability, if any, is primarily the result of and arising from conduct of a Ford supervisor or manager not employed by the Business (as opposed to the actions or inaction of Visteon).

17.3 Procedure for Indemnity. The procedure for indemnification under this Section 17 shall be as set forth in Section 7(c) through (j) of the Master Transfer Agreement and shall be incorporated herein by reference.

18. Dispute Resolution. If a dispute arises between the Parties relating to this Agreement, the following shall be the sole and exclusive procedure for enforcing the terms hereof and for seeking relief, including but not limited to damages, hereunder; provided, however, that a Party may seek injunctive relief from a court where appropriate solely for the purpose of maintaining the status quo while this procedure is being followed:

18.1 Initial Meeting. The Parties promptly shall hold a meeting of the Governance Council to attempt in good faith to negotiate a mutually satisfactory resolution of the dispute; provided, however, that no Party shall be under any obligation whatsoever to reach, accept or agree to any such resolution; provided further, that no such meeting shall be deemed to vitiate or reduce the obligations and liabilities of the Parties or be deemed a waiver by a Party hereto of any remedies to which such Party would otherwise be entitled.

18.2 Mediation/Arbitration. If the Parties are unable to negotiate a mutually satisfactory resolution as provided above, any Party may so notify the other. In that event, the Parties agree to participate in good faith in mediation of the dispute. Such mediation shall conclude no later than forty-five (45) days from the date that the mediator is appointed. If the Parties are not successful in resolving the dispute through mediation, then the Parties agree to submit the matter to binding arbitration before a sole arbitrator in accordance with the CPR Rules for Non-Administered Arbitration. Within five business days after the selection of the arbitrator, each Party shall submit its requested relief to the other Party and to the arbitrator with a view toward settling the matter prior to commencement of discovery. If no settlement is reached, then discovery shall proceed. Upon the conclusion of discovery, each Party shall again submit to the arbitrator its requested relief (which may be modified from the initial submission) and the arbitrator shall select only the entire requested relief submitted by one Party or the other, as the arbitrator deems most appropriate. The arbitrator shall not select one Party's requested relief as to certain claims or counterclaims and the other Party's requested relief as to other claims or counterclaims. Rather, the arbitrator must only select one or the other Party's entire requested relief on all of the asserted

claims and counterclaims, and the arbitrator will enter a final ruling that adopts in whole such requested relief. The arbitrator will limit the arbitrator's final ruling to selecting the entire requested relief the arbitrator considers the most appropriate from those submitted by the Parties.]

18.3 Procedure. Mediation and, if necessary, arbitration shall take place in the City of Dearborn, Michigan unless the Parties agree otherwise or the mediator or the arbitrator selected by the Parties orders otherwise. Punitive or exemplary damages shall not be awarded. This clause is subject to the Federal Arbitration Act, 28 U.S.C.A. Section 1, et seq., or comparable legislation in non-U.S. jurisdictions, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction.

19. Miscellaneous.

19.1 Assignment. This Agreement has been executed in consideration of the Parties involved and therefore may not be assigned or transferred to a third party without the prior written consent of the other Party. This Agreement will be binding on the agreed successors to or assignees of either Party. In no event will a Party be released from their indemnity obligations without the prior written consent of the other Party.

19.2 Entire Agreement Amendment Waiver. This Agreement embodies the entire agreement of the Parties and supersedes any other agreements or understandings between them, whether oral or written, relating to this subject matter. In the event of a conflict between this Agreement and any other agreement between or among any of the Parties with respect to the subject matter hereof, this Agreement shall control. No amendment or modification or waiver of a breach of any term or condition of this Agreement shall be valid unless in a writing signed by each of the Parties. The failure of either Party to enforce, or the delay by either of them in enforcing, any of its respective rights under this Agreement will not be deemed a continuing waiver or a modification of any rights hereunder and either Party may, within the time provided by applicable law and consistent with the provisions of this Agreement, commence appropriate legal proceedings to enforce any or all of its rights.

19.3 Notices. Any notice or other communication hereunder must be given in writing and either (a) delivered in person, (b) transmitted by facsimile transmission or other telecommunications mechanism, (c) sent by a nationally recognized overnight courier service (delivery charges prepaid) or (d) sent by registered or certified mail (postage prepaid, return receipt requested) as follows:

If to Ford:

Ford Motor Company  
Henry Ford II World Center

One American Road  
Dearborn, Michigan 48126-2798  
Attention: Secretary  
Fax:(313)248-7036

If to Visteon:

Visteon Corporation  
Suite 728 East  
One Parklane Boulevard  
Dearborn, Michigan 48126  
Attention: General Counsel  
Fax:(313)755-2342

All notices personally delivered shall be deemed received on the date of delivery. Any notice sent via facsimile transmission shall be deemed received on date shown on the confirmation advice. Any notice by registered or certified mail shall be deemed to have been given on the date of receipt or refusal thereof. The date of any notice by overnight courier service shall be the date the airbill is signed by the recipient. Any Party may change its address for the receipt of notices by giving Notice thereof to the other.

19.4 Partial Invalidity. Any provision of this Agreement which is found to be invalid or unenforceable by any court in any jurisdiction will, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability, and the invalidity or unenforceability of such provision will not affect the validity or enforceability of the remaining provisions hereof.

19.5 Title and Headings. Titles and headings of Sections and Subsections of this Agreement are for convenience only and will not affect the construction of any provision of this Agreement.

19.6 Negotiated Terms. The Parties agree that the terms and conditions of this Agreement are the result of negotiations between the Parties and that this Agreement will not be construed in favor of or against any Party by reason of the extent to which any Party or its professional advisors participated in the preparation of this Agreement.

19.7 Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which taken together will constitute one and the same instrument.

19.8 Governing Laws. This Agreement is governed by the internal laws of the State of Michigan.

19.9 Third Party Beneficiaries. This Agreement is for the sole benefit of the Parties hereto and no third party may claim any right, or enforce any obligation of the Parties, hereunder.

19.10 Relationship. Nothing contained in this Agreement will be construed to make any of the Parties partners, principals, agents or employees of the other, except as explicitly provided. None of the Parties will have any right, power or authority, express or implied, to bind any of the other Parties. Nothing contained in this Agreement shall be construed to imply multiemployer bargaining with respect to the labor affairs of the other Party.

19.11 Good Faith and Fair Dealing. In entering into this Agreement, the Parties each acknowledge and agree that all aspects of the relationship among the Parties contemplated by this Agreement, including the performance of all obligations under this Agreement, will be governed by the fundamental principle of good faith and fair dealing.

19.12 Consents, Approvals and Requests. Except as specifically set forth in this Agreement, all consents and approvals to be given by any of the Parties under this Agreement will not be unreasonably withheld or delayed.

19.13 Further Assurances. The Parties will execute such further assurances and other documents and instruments and do such further and other things as may be necessary to implement and carry out the intent of this Agreement.

19.14 Excusable Delays. Neither Party will be liable for a failure to perform any obligation under this Agreement that arises from causes or events beyond its reasonable control and without its fault or negligence, including labor disputes. The Party claiming the excusable delay shall give notice in writing as soon as possible to the other Party after the occurrence of the cause relied on and after termination of the condition.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement as the day and year first above written.

FORD MOTOR COMPANY

VISTEON CORPORATION

By: /s/ Don Leclair

By: /s/ Daniel R. Coulson

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Title: Group Vice President & CFO

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Title: Executive Vice President &  
Chief Financial Officer

ATTACHMENT A

PENSION, RETIREE HEALTH CARE AND RETIREE LIFE INSURANCE EXPENSE

For purposes of Section 7(iii) of the Amended and Restated Hourly Employee Assignment Agreement, (the "Agreement") the expense for Retirement Plans-Pension, Retiree Health Care and Retiree Life Insurance for the Ford Assigned Employees shall be determined in accordance with the methodology described in this Attachment A.

1. Retirement Plans-Pension. Visteon shall be responsible for paying Ford with cash for the Statement of Financial Accounting Standards No. 87 ("SFAS No. 87") annual expense with respect to the Ford Assigned Employees, determined as provided below.

1.1 Visteon Pension Account Established. Solely for purposes of determining the correct expense and payment amount, and not for purposes of establishing a separate trust or pension plan with respect to the Ford Assigned Employees, a notional Visteon-UAW Pension Asset Account ("Visteon Pension Account") will be established, as if the Ford-UAW Pension Plan in which the Ford Assigned Employees participate had been segregated into a separate trust which continued to participate in the Ford Master Trust. The Visteon Pension Account shall be established as of July 1, 2000 ("Start Date"). The opening balance of the Visteon Pension Account will be established by crediting such account with assets equal in amount to the projected benefit obligation as defined in SFAS No. 87 ("PBO") of the active Ford Assigned Employees as of the Start Date ("Hourly PBO"). The Hourly PBO shall be determined by an independent actuary appointed by Ford ("Ford Actuary") using:

- (i) the actuarial assumptions and methods used in the most recent SFAS 87 actuarial valuation developed for accounting purposes under the Ford-UAW Retirement Plan prepared by the Ford Actuary; and
- (ii) a discount rate as of the Start Date determined by Ford using its normal methods for developing a SFAS 87 discount rate but based on market interest rates as of the Start Date.

An independent actuary appointed by Visteon ("Visteon Actuary") shall have the opportunity to verify the calculation of the Hourly PBO.

1.2 Visteon Pension Account Activity. After the opening balance of the Visteon Pension Account is determined in accordance with Section 1.1 above, it shall be managed quarterly and shall be:

- (i) increased by any cash contribution paid by Visteon to Ford under Section 1.3;
- (ii) decreased by the amount of retirement benefits payable to the Ford Assigned Employees who retire after the Start Date;
- (iii) decreased by an allocable share of Ford-UAW Plan expenses based on the ratio of PBO of the Ford Assigned Employees to the total PBO of the Ford UAW Retirement Plan, unless Ford and Visteon agree to another method; and
- (iv) increased or decreased by the Ford U.S. Pension Master Trust actual rate of investment return, computed annually.

If for administrative reasons, the exact amount of retirement benefits payable to the Ford Assigned Employees cannot be determined precisely, then Ford shall be able to substitute a fair approximation of the retirement benefits paid. The Visteon Actuary shall have the opportunity to verify the calculation.

1.3 Determination of Annual Pension Charge and Equal Cash Pension Payment. The annual charge by Ford to Visteon and the cash payable by Visteon to Ford for any given year shall be equal to the sum of (A), (B) and (C) where:

- (A) is the SFAS 87 pension expense for that year (or, at the outset, a part year) based on:
  - (i) as of each annual actuarial valuation date, the liabilities of the Ford Assigned Employees;
  - (ii) the Ford-UAW Retirement Plan assumptions used in the Ford Actuary's SFAS 87 valuation of the Ford-UAW Retirement Plan for the applicable year; and
  - (iii) the value of the Visteon Pension Account
- (B) is the administration expenses as defined in Section 1.2(iii) of this Attachment; and
- (C) is the SFAS 88 pension expense for Ford Assigned Employees related to any termination incentive or similar programs occurring in the year.

The cash shall be payable at a time agreed by the Parties, but in no event shall the payment be made any less frequently than monthly, in which event the payment shall be due within fifteen (15) days after the end of the month.

2. Retiree Health Care and Retiree Life insurance. Visteon shall be responsible for the cost of providing post-retirement health and life benefits for Ford Assigned Employees, together with their eligible covered spouses or dependents under the Ford Plans (as defined below) beginning as of the Start Date, less the Ford Offset (Adjusted) (as defined below). Ford shall be responsible for the Ford Offset (Adjusted) related to Pre-Spin Service (as defined below). The following sets forth the Parties' respective obligations.

For purposes of this Section 2, the following terms will have the following meanings:

- 2.0.1 "Fixed Ratio" shall mean a percentage determined as of December 31, 2003 by dividing the Ford Offset by the Total SFAS 106 Accumulated Postretirement Benefit Obligation ("APBO") for Ford Assigned Employees related to Pre-Spin Service. The Fixed Ratio will be determined as of the December 31, 2003 valuation date by the Ford Actuary and shall be verified by the Visteon Actuary. The Fixed Ratio will remain constant throughout the term of this Agreement. The Fixed Ratio calculation is set forth on Exhibit 1.
- 2.0.2 "Ford Offset" shall mean the OPEB liability related to Pre-Spin Service. The amount of the Ford Offset shall be calculated by the Ford Actuary for each Ford Assigned Employee based on the SFAS 106 balance sheet liability for Ford Assigned Employees as of December 31, 2003. The Ford Actuary may utilize reasonable approximations in developing these amounts. The Ford Offset shall be calculated as of June 29, 2000 and will include interest at the applicable SFAS 106 discount rate to December 31, 2003 and a pro-rata share of actuarial losses recognized in expense for the period from June 30, 2000 through December 31, 2003, as specified in Exhibit 1. The Visteon Actuary shall verify the Ford Offset calculation.
- 2.0.3 "Ford Offset (Adjusted)" shall mean the Ford Offset (as adjusted) to include interest at the applicable Ford SFAS 106 discount rate to the annual valuation date and reduced by the annual Ford OPEB Benefit Share. The Ford Offset shall not be adjusted for the effect of future actuarial gains or losses, such as changes in the health care trend rate or actual experience,

but will be adjusted for the effect of future amendments and legislative or regulatory changes related to Pre-Spin Service and reduced by the effect of employee transfers described in Section 9. Visteon also shall be responsible for any changes to the Post-Spin Service and Pre-Spin Service APBO related to the effect of wage increases.

- 2.0.4 "Ford OPEB Benefit Share" in a year shall mean the product of (i) the average annual health and life benefits cost per Ford-UAW retiree; (ii) the number of Retired Ford Assigned Employees (excluding employee transfers described in Section 9); (iii) the Fixed Ratio; and (iv) the Variable Ratio. The Ford OPEB Benefit Share shall be zero after December 31, 2049.
- 2.0.5 "OPEB" shall mean the post retirement health and life benefits for Ford Assigned Employees, together with their eligible covered spouses or dependents under the Plans.
- 2.0.6 "Retired Ford Assigned Employees" shall mean the Ford Assigned Employees who have retired under the terms of the Ford-UAW Retirement Plan since the Start Date and whose last place of work was at a Visteon location, together with their eligible covered spouses or dependents.
- 2.0.7 "Plans" shall mean the Ford-UAW Hospital-Surgical-Medical-Drug-Dental-Vision Program and the Ford-UAW Group Life and Disability Insurance Plan, and any successor plans.
- 2.0.8 "Post-Spin Service" shall mean service of a Ford Assigned Employee on or after June 29, 2000.
- 2.0.9 "Pre-Spin Service" shall mean service of a Ford Assigned Employee prior to June 29, 2000.
- 2.0.10 "Variable Ratio" shall be a percentage determined annually such that if reduced by 2% for each subsequent year, results in the projected Ford Offset (Adjusted) being zero on or about December 31, 2049. The Variable Ratio will be determined annually by the Ford Actuary and shall be verified by the Visteon Actuary.
- 2.0.11 "Visteon OPEB Administrative Expense" shall mean an allocable share of Ford-UAW OPEB administrative expenses based on the ratio of APBO of the Ford Assigned Employees to the total APBO in respect of Ford-UAW employees and retirees, unless Ford and Visteon agree to another method

2.0.12 "Visteon OPEB Benefit Share" shall mean the estimated amount of OPEB claims paid during the year to the Retired Ford Assigned Employees (excluding employee transfers described in Section 9) determined on the basis of the average per contract claims costs for Ford-UAW retirees less the Ford OPEB Benefit Share.

2.1 Determination of Annual OPEB Charge. The charge by Ford to Visteon for any given year shall be equal to the sum of (A), (B) and (C) where

- (A) is the SFAS 106 OPEB expense for that year, allocated to the Ford Assigned Employees (or, at the outset, a part year) based on the following:
  - (i) as of each annual actuarial valuation date, the liabilities of the Ford Assigned Employees;
  - (ii) the Ford-UAW Plan assumptions used in the Ford Actuary's SFAS 106 valuation of the Ford-UAW Plans for the applicable year; and
  - (iii) the Ford Offset (Adjusted).
- (B) is the Visteon OPEB Administrative Expense;
- (C) is SFAS 106 OPEB expense for Ford Assigned Employees related to any termination incentive or similar programs occurring in the year.

2.2 Determination of Annual OPEB Cash Payment.

2.2.1 For Years 2004 and 2005. Beginning January 1, 2004 through December 31, 2005, the Annual OPEB Cash reimbursement to Ford, as Plan Administrator, for years 2004 and 2005 shall be an amount equal to the sum of (A) and (B) where

- (A) is the Visteon OPEB Benefit Share;
- (B) is the Visteon OPEB Administrative Expense.

The cash shall be payable at a time agreed by the Parties, but in no event shall the payment be made any less frequently than monthly, in which event the payment shall be due no later than fifteen (15) days after the end of the month.

## 2.2.2 Pre-Funding of SFAS 106 Liability. Visteon will

establish and maintain a Voluntary Employees' Beneficiary Association ("VEBA") trust whose purpose is to reimburse the Plans in respect of the Visteon OPEB Benefit Share and Visteon OPEB Administrative Expense. Visteon agrees that it will make a series of cash payments to the VEBA so that by December 31, 2049 the assets in the VEBA will equal the OPEB balance sheet liability at the same date for OPEB benefits in respect of Ford Assigned Employees and Retired Ford Assigned Employees. Visteon's cash payment to the VEBA shall commence no later than January 2, 2006 and shall be payable in advance in twelve equal monthly installments. The amount of cash payable to the VEBA in each year commencing on or after January 1, 2006 shall be as provided below:

- 2.2.2.1 For Years 2006 through 2020. The amount of cash payable to the Visteon VEBA in each year commencing January 1, 2006 through December 31, 2020 shall be an amount equal to the greater of (i) the sum of (A) and (B), or (ii) (C), where:
- (A) is the sum of the OPEB balance sheet liability in respect of Ford Assigned Employees at December 31, 2005 and the corresponding remaining OPEB unrecognized actuarial gains/losses in respect of Ford Assigned Employees and Retired Ford Assigned Employees at December 31, 2005 based on the actuarial valuation at December 31, 2003 (these amounts to be determined by the Ford Actuary and verified by the Visteon, Actuary), divided by 15; and
  - (B) is the amortized Annual OPEB Charge as computed pursuant to Section 2.1, reduced by the actual return on the VEBA, reduced by any amortization of any gains or losses included in Section 2.2.2.1 (A) above and amortized over 30 years for the period commencing January 1, 2006 and ending December 31, 2020, together with the annual amortization of each previous year's unamortized amount.
  - (C) is the Visteon OPEB Benefit Share;
- 2.2.2.2 For Years 2021 through 2049. The amount of cash payable to the Visteon VEBA in each year commencing

January 1, 2021 through December 31, 2049 shall be an amount equal to the greater of (A) or (B) where

- (A) is the amortized Annual OPEB Charge as computed pursuant to Section 2.1, reduced by the actual return on the VEBA, and amortized over a period equal to 30 minus n (30-n) where n is equal to the present year minus 2020, together with the annual amortization of each previous year's unamortized amount; and
- (B) is the Visteon OPEB Benefit Share

2.2.2.3 For Years 2050 and After. The amount of cash payable to the Visteon VEBA in each year commencing on or after January 1, 2050 shall be an amount equal to the amortized Annual OPEB Charge as computed pursuant to Section 2.1, reduced by the actual return on the VEBA, if any.

If, at any annual valuation, the value of assets in the VEBA equals or exceeds the remaining balance sheet liability in respect of Ford Assigned Employees, the Parties will agree on a revised payment schedule with the intent that, at December 31, 2049, the VEBA assets will be equal to the remaining liability. No later than December 31, 2030, and at least every five years thereafter, the Parties will review the funding progress and adjust the formula as necessary to achieve that intent.

Notwithstanding the above, Visteon may accelerate payments to the VEBA in its discretion. In the event the tax law or Visteon's tax position, subject to concurrence by Ford, would not provide Visteon a current tax benefit for the level of funding described above, Visteon may make only such contributions to the VEBA that would provide a current tax benefit to Visteon, provided, however that the balance of the funding obligation is otherwise paid directly to Ford at such time as the payments are otherwise due to the VEBA. For purposes of the preceding sentence, the term "would not provide Visteon a current tax benefit" shall include such instances where making payments to the VEBA would cause adverse tax consequences to Visteon, such as an increase in net operating loss or foreign tax credit carryovers. Ford shall credit Visteon with interest on any amounts paid directly to Ford under this paragraph at the pretax rate of return earned annually on Ford's cash portfolio.

3. Verification and Reconciliation. The Ford Actuary shall determine the Annual Cash Pension Payment and Annual Cash OPEB Payment to Ford or the Plans provided in Section 1.3 and Section 2.2 and the Visteon Actuary will have the opportunity to verify the calculation. On a yearly basis, but no later than the last business day of January, Ford and Visteon will perform a reconciliation of amounts due to or from each Party with respect to this Agreement.

4. Recordkeeping. In connection with administering Section 1 and 2 above, Ford may decide to retain a third party service to maintain the notional Visteon Pension Account and the Visteon Notional OPEB Account and to determine the correct amount of Visteon payments according to the methodology set forth in this Attachment A. If Ford decides to retain a third party service, Ford shall consult with Visteon prior to appointing a third party service, but Ford shall retain the right to appoint a third party service in its sole discretion. Ford shall pay the expense of such third party service and Visteon shall reimburse Ford for such expense. The third party service shall be subject to audits by either Ford or Visteon or their authorized representatives.

5. Continuation of Arrangements. The terms set forth in this Attachment A shall be in force until the last survivors and dependents of Ford Assigned Employees in service as of the Start Date who are eligible for Ford-UAW retirement or OPEB benefits are deceased, or upon earlier termination agreed jointly by Ford and Visteon No later than June 30, 2050, the Parties shall evaluate projected future OPEB benefit payments and recognized and unrecognized OPEB liability and shall agree a final true-up payment necessary from Visteon to Ford or from Ford to Visteon in order to fettle the Parties' respective obligation in accordance with this Agreement.

6. Ability to Substitute. If necessary to preserve for each Party the economic benefits bargained for under this Attachment, the Parties agree to consider, in good faith, alternative methods of computing payments under this Attachment A as a substitute for the present provisions. Any method substituted shall have as its objective to produce a fair estimate of the pension and OPEB expense and other payments as set forth in this Attachment A.

7. Definitions. Unless otherwise specifically defined herein, the capitalized terms herein shall have the same meanings as set forth in the Agreement.

8. Actuarial Verification. If the Visteon Actuary and the Ford Actuary are unable to agree on a verification, Ford and Visteon shall jointly designate a third independent actuary whose verification shall be final and binding. Ford and Visteon shall each pay one-half of the cost of such third actuary.

9. Employee Transfers. In the event that an employee ceases to be a Ford Assigned Employee, but remains an employee of Ford, then Visteon shall not be responsible for paying the cost of pension, retiree health or retiree life benefits for such employee under Sections 1 and 2 of this Attachment. Ford will assume the obligation and Visteon will pay Ford as follows:

- (A) Pensions: The balance in the Visteon Pension Account will be reduced by the amount of the SFAS 87 PBO transferred to Ford; provided however, for periods commencing on or after January 1, 2004, the balance in the Visteon Pension Account will be reduced by a number equal to the SFAS 87 PBO multiplied by the funded ratio of the notional account at the prior year end. For example, if the PBO funded ratio is 66%, the balance in the Visteon Pension Account shall be reduced by a number equal to the SFAS 87 PBO multiplied by 66%.
- (B) Retiree health and life benefits: Visteon will pay Ford an amount equal to the SFAS 106 APBO transferred to Ford, and for periods commencing on or after January 1, 2004, after consideration of the Ford Offset (Adjusted). In the event that a significant number of Ford Assigned Employees return to Ford in one transaction, the Parties shall reevaluate this provision to determine if additional adjustments to the SFAS 106 APBO, or otherwise, should be made to preserve the economics contemplated by the Parties in this Agreement. To satisfy the payment obligation hereunder, and subject to Ford consent, Visteon may cause the trustee of the Visteon VEBA to transfer assets directly from Visteon's VEBA to Ford's VEBA, subject to any appropriate regulatory approvals.

All adjustments should be handled on a quarterly basis based on SFAS 87 and SFAS 106 assumptions appropriate for that quarter.

Visteon shall retain appropriate records in order to identify these transfers.

In the event that, prior to the 2003 Ford-UAW Collective Bargaining Agreement, a Ford employee becomes a Ford Assigned Employee, then Visteon shall assume the obligation for pensions, retiree health and retiree life benefits for such employee, and the financial arrangements shall be the reverse of those described above.

The payment shall be due by the next March 31st following the year in which the action took place ("Payment Date"), except with respect to payments in respect of Ford Hourly Employees becoming Ford Assigned Employees prior to December 31, 2003, in which case the first payment from Ford to Visteon shall be due December 31, 2003.

For payments related to actions prior to the date of the Amended and Restated Hourly Employee Assignment Agreement, the payment shall be as follows:

- (i) If the payment is less than \$10 million, including interest at the interest Rate (as hereafter defined), the amount shall be due in one lump sum on the Payment Date.
- (ii) If the payment for retiree health and life benefits (excluding interest) exceeds \$10 million, the Party with the obligation shall have the option to

pay the amount in installments as follows: \$10 million plus interest at the interest Rate from the date of the action to the Payment Date on the Payment Date and the balance in succeeding years in annual installments of at least \$5 million plus interest on the outstanding principal at the Interest Rate, until the obligation is satisfied. Installment payments are due on each successive January 31st until the obligation is satisfied.

- (iii) "Interest Rate" shall mean the 90 day Treasury Bill rate quoted in the Wall Street Journal for the relevant period.

For payments related to actions on or after the date of the Amended and Restated Hourly Employee Assignment Agreement, the payment shall be as follows:

- (i) If the payment is less than \$20 million, including interest at the Interest Rate (as hereafter defined), the amount shall be due in one lump sum on the Payment Date.
- (ii) If the payment for retiree health and life benefits (excluding interest) exceeds \$20 million, the Party with the obligation shall have the option to pay the amount in installments as follows: \$20 million plus interest at the Interest Rate from the date of the action to the Payment Date on the Payment Date and the balance in succeeding years in annual installments of at least \$10 million plus interest on the outstanding principal at the Interest Rate, until the obligation is satisfied. Installment payments are due on each successive January 31st until the obligation is satisfied.
- (iii) "Interest Rate" shall mean the 90 day Treasury Bill rate quoted in the Wall Street Journal for the relevant period.

10. Health Care or Medicare Legislation. With respect to the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, as well as any other future health care legislative or regulatory change that results in realizable economic benefits or costs to Ford or Visteon with respect to post-retirement health care benefits related to Ford Assigned Employees (excluding an employee who ceases to be a Ford Assigned Employee as described in Section 9), the Parties agree to meet in order to determine the appropriate allocation, if any, of such benefits or costs between Ford and Visteon. The intent of the Parties is that the after-tax economic benefit or cost of any such legislation or regulation, whether or not reflected by SFAS 106 accounting, will be shared in a manner consistent with the manner in which the underlying OPEB obligation (excluding such legislation or regulation) is shared pursuant to this Attachment.

11. Tax Treatment. The Parties agree to treat the payments required under Sections 1 and 2 of this Attachment A consistently for tax reporting purposes. With respect to payments required by Section 1, Visteon will claim tax deductions as its

specified payments to Ford are due and payable. Ford will include such amounts in taxable income as such payments are due and payable. With respect to the payments required by Section 2, Visteon will claim tax deductions as the related benefit expenses are incurred or, if pre-funded, as contributions are made to the designated Visteon VEBA trust. Ford will claim no tax deduction or other tax benefit for the Ford Offset until such time as the underlying benefit expenses are incurred or funded.

Attachment A - Pension, Retiree Health Care and Retiree Life Insurance Expense

Exhibit 1

Ford Hourly Assigned Employees

Health and Life Combined

|  | TOTAL PRE-SPIN AND POST-SPIN |              |              |              |
|--|------------------------------|--------------|--------------|--------------|
|  | 7/1/2000                     | 2001         | 2002         | 2003         |
|  | -----                        | -----        | -----        | -----        |
| APBO (Mils) at BOY                             | \$ (1,229.3)                 | \$ (1,522.9) | \$ (1,887.7) | \$ (2,519.5) |
| Unrecognized balances:                         |                              |              |              |              |
| Net (gain)/loss                                | 87.0                         | 310.5        | 489.1        | 912.7        |
| Prior service cost                             | 2.2                          | 3.4          | 4.7          | 3.8          |
|  | -----                        | -----        | -----        | -----        |
| Accrued liability at BOY                       | \$ (1,140.1)                 | \$ (1,209.0) | \$ (1,393.9) | \$ (1,603.0) |
| ANNUAL EXPENSE FOR YEAR                        |                              |              |              |              |
| Service cost (Mils)                            | \$ 23.3                      | \$ 59.5      | \$ 67.1      | \$ 82.0      |
| Interest cost (Mils)                           | 49.3                         | 112.8        | 136.2        | 168.9        |
| Prior service cost amortization (Mils)         | (1.2)                        | (1.3)        | 0.9          | 0.9          |
| (Gain)/loss amortization (Mils)                | 0.1                          | 11.9         | 21.4         | 44.9         |
| One-time recognition                           | 0.0                          | 5.7          | 0.0          | 0.0          |
|  | -----                        | -----        | -----        | -----        |
| Total SFAS 106 expense (Mils)                  | \$ 71.5                      | \$ 188.6     | \$ 225.6     | \$ 296.7     |
| SFAS 106 expected benefit payments (Mils)      | 2.6                          | 5.9          | 16.5         | 33.2         |
| Expected APBO                                  | \$ (1,299.3)                 | \$ (1,689.3) | \$ (2,074.5) | \$ (2,737.2) |
| (Increase)/Decrease in APBO during year        | (223.6)                      | (198.4)      | (445.0)      | (231.3)      |
|  | -----                        | -----        | -----        | -----        |
| APBO (Mils) at EOY                             | \$ (1,522.9)                 | \$ (1,887.7) | \$ (2,519.5) | \$ (2,968.5) |
| Unrecognized balances:                         |                              |              |              |              |
| Net (gain)/loss                                | 310.5                        | 489.1        | 912.7        | 1,099.1      |
| Prior service cost                             | 3.4                          | 4.7          | 3.8          | 2.9          |
| Accrued liability at EOY                       | \$ (1,209.0)                 | \$ (1,393.9) | \$ (1,603.0) | \$ (1,866.5) |
| APBO (Mils) at EOY                             |                              |              |              | \$ (2,968.5) |
| Less:  |                              |              |              |              |
| Post-spin service cost                         |                              |              |              | 231.9        |
| Interest on post-spin service cost             |                              |              |              | 18.5         |
|  |                              |              |              | -----        |
| APBO (Mils) at EOY related to pre-spin service |                              |              |              | 2,718.1      |
| FIXED RATIO (\$1,646.0 / \$2,718.1)            |                              |              |              | 61%          |
| Discount rate at beginning of year             | 7.75%                        | 7.50%        | 7.25%        | 6.75%        |
| Discount rate at year-end                      | 7.50%                        | 7.25%        | 6.75%        | 6.25%        |

|   | PRE-SPIN     |              |              |              |
|---|--------------|--------------|--------------|--------------|
|   | 7/1/2000     | 2001         | 2002         | 2003         |
|   | -----        | -----        | -----        | -----        |
| APBO (Mils) at BOY                        | \$ (1,229.3) | \$ (1,278.6) | \$ (1,394.5) | \$ (1,524.5) |
| Unrecognized balances:                    |              |              |              |              |
| Net (gain)/loss                           | 87.0         | 86.9         | 76.9         | 61.1         |
| Prior service cost                        | 2.2          | 3.4          | 4.7          | 3.8          |
|   | -----        | -----        | -----        | -----        |
| Accrued liability at BOY                  | \$ (1,140.1) | \$ (1,188.3) | \$ (1,312.9) | \$ (1,459.6) |
| ANNUAL EXPENSE FOR YEAR                   |              |              |              |              |
| Service cost (Mils)                       | \$ -         | \$ -         | \$ -         | \$ -         |
| Interest cost (Mils)                      | 49.3         | 111.1        | 130.1        | 158.3        |
| Prior service cost amortization (Mils)    | (1.2)        | (1.3)        | 0.9          | 0.9          |
| (Gain)/loss amortization (Mils)           | 0.1          | 10.0         | 15.8         | 27.2         |
| One-time recognition                      | 0.0          | 4.8          | 0.0          | 0.0          |
|   | -----        | -----        | -----        | -----        |
| Total SFAS 106 expense (Mils)             | 48.2         | \$ 124.6     | \$ 146.8     | \$ 186.4     |
| SFAS 106 expected benefit payments (Mils) | 0.0          | 0.0          | 0.0          | 0.0          |
| Expected APBO                             | \$ (1,278.6) | \$ (1,394.5) | \$ (1,524.5) | \$ (1,682.8) |
| (Increase)/Decrease in APBO during year   | 0.0          | 0.0          | 0.0          | 0.0          |
|   | -----        | -----        | -----        | -----        |
| APBO (Mils) at EOY                        | \$ (1,278.6) | \$ (1,394.5) | \$ (1,524.5) | \$ (1,682.8) |
| Unrecognized balances:                    |              |              |              |              |
| Net (gain)/loss                           | 86.9         | 76.9         | 61.1         | 33.9         |
| Prior service cost                        | 3.4          | 4.7          | 3.8          | 2.9          |
| Accrued liability at EOY                  | \$ (1,188.3) | \$ (1,312.9) | \$ (1,459.6) | \$ (1,646.0) |
|   |              |              |              | Ford Offset  |
| APBO (Mils) at EOY                        |              |              |              |              |
| Less:                                     |              |              |              |              |
| Post-spin service cost                    |              |              |              |              |
| Interest on post-spin service cost        |              |              |              |              |

APBO (Mils) at EOY related to pre-spin service

FIXED RATIO (\$1,646.0 / \$2,718.1)

FIXED RATIO

Discount rate at beginning of year

7.75%

7.50%

7.25%

6.75%

Discount rate at year-end

7.50%

7.25%

6.75%

6.25%

December 1, 2003

## AMENDED AND RESTATED EMPLOYEE TRANSITION AGREEMENT

This Employee Transition Agreement relating to certain employment matters and employee benefit plans (this "Agreement") dated as of April 1, 2000 and restated as of December 19, 2003 is made and entered into by and among Ford Motor Company, a Delaware corporation ("Ford") and Visteon Corporation, a Delaware corporation and a wholly owned subsidiary of Ford, ("Visteon"). Ford and Visteon are referred to herein individually as a "Party" and collectively as the "Parties".

## RECITALS

1. Ford determined that it was appropriate and beneficial to separate the activities conducted under the name of "Visteon Automotive Systems, an enterprise of Ford Motor Company," including those activities conducted by any entity in which Ford, directly or indirectly, owns or controls 50% or more of its stock or other equity interests (a "Subsidiary") and by any entity in which Ford, directly or indirectly, owns or controls less than 50% but more than 20% of its stock or other equity interests (an "Affiliate") which is aligned with such enterprise, which presently includes the Chassis Systems, Climate Control Systems, Interior and Exterior Systems, Energy Transformation Systems, Glass Division, and the Visteon Technology Office (collectively, with historic operations, including the former Automotive Products Operations, Automotive Components Division, Electronics, Plastics and Trim, Climate Control, Chassis, Electrical and Fuel Handling, and Glass Divisions, the "Business");
2. Ford concluded that the separation of the Business from its automaking business would (i) alleviate competitive barriers to expanding the Business beyond sales to Ford, Ford Subsidiaries and Ford Affiliates, (ii) allow Ford to overcome competitive barriers to making purchases from third-party automotive suppliers, and (iii) enhance the Business' ability to attract employees and permit the Business to offer employee incentives more directly tied to the performance of the Business;
3. Ford caused Visteon to be formed for the purpose of carrying on and conducting the Business;
4. Ford and Visteon have entered into various agreements, including a Master Transfer Agreement dated as April 1, 2000 to effect the separation of the Business;
5. The Parties desired that Ford transfer to Visteon certain employees who were engaged in doing work for the Business and to provide for the orderly transition of employee benefit plans and the Parties executed this Employee Transition Agreement as of April 1, 2000;

6. Pursuant to Amendment Number One to Employee Transition Agreement dated as of January 12, 2001 between Ford and Visteon, the Employee Transition Agreement was amended; and
7. The Parties desire to further amend and restate the Employee Transition Agreement in its entirety as provided below, effective as of restatement date first written above.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

- 1.01 "BENEFIT TRANSITION DATE" shall mean the first day of the month coincident with or immediately following the Distribution Date except with respect to the Ford Flexible Benefits Plan shall mean June 1, 2000.
- 1.02 "CODE" shall mean the Internal Revenue Code of 1986, as amended.
- 1.03 "DISTRIBUTION DATE" shall mean the date Ford will distribute to Ford shareholders all of the shares of Visteon common stock then owned by Ford.
- 1.04 "DOL" shall mean the U.S. Department of Labor.
- 1.05 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.
- 1.06 "FORD BUSINESS EMPLOYEES" shall mean
  - (i) Persons who are enrolled on the Ford salaried payroll (U.S. or non-U.S) or enrolled on the Ford hourly payroll in non-U.S jurisdictions and who are actively at work at the Business the day prior to the Transfer Date including those on paid time off (i.e. Jury Duty Pay, Bereavement Pay, Short Term Military Pay, Vacation and Paid Holiday) and those on reduced or alternate work schedules, but excluding Ford employees who are on temporary assignment to the Business ("Active Ford Business Employees"); and
  - (ii) Persons who are absent from such salaried or hourly employment as of the day prior to the Transfer Date on account of short term or long term

disability leave or other approved leaves of absence, or layoff (Inactive Ford Business Employees").

1.07 "FORD RETIREE" shall mean a former Ford Business Employee, or a surviving spouse or beneficiary of a former Ford Business Employee, who had terminated service with Ford or Visteon and is receiving retirement benefits under a Ford sponsored retirement plan as of the Benefit Transition Date or who terminated employment with Ford or Visteon on or before the Benefit Transition Date and is eligible on the Benefit Transition Date to receive immediate or future retirement benefits (including deferred vested benefits) under the Ford sponsored retirement plan.

1.08 "GENERAL RETIREMENT PLAN" or "GRP" shall mean the General Retirement Plan of Ford Motor Company and its participating subsidiaries.

1.09 "GLOBAL FORD BUSINESS EMPLOYEES" shall mean all employees of Ford or its Subsidiaries or Affiliates who are engaged in the conduct of the Business prior to the Transfer Date, including but not limited to

- (i) Ford Business Employees; and
- (ii) Persons who are enrolled on the payroll of a Subsidiary or Affiliate of Ford engaged in the Business as of the Transfer Date, or persons who are no longer active but who had been employed by a Subsidiary or Affiliate engaged in the Business at any time prior to the Transfer Date ("Subsidiary Employees").

1.10 "GLOBAL VISTEON EMPLOYEES" shall mean all employees of Visteon or its subsidiaries or affiliates who are engaged in the conduct of the Business after the Transfer Date, including but not limited to

- (i) Visteon Employees; and
- (ii) Subsidiary Employees who as a result of the transfer of Ford's interest in the Subsidiary or Affiliate to Visteon as of the Transfer Date, became employed by, or became the responsibility of, a subsidiary or affiliate of Visteon on the Transfer Date.

For purposes of this Agreement, Global Visteon Employees shall not include any employees hired directly by Visteon or its subsidiaries or affiliates after the Transfer Date.

1.11 "GOVERNANCE COUNCIL" shall mean the governance council described in Section 6.1 of the Relationship Agreement between Ford and Visteon dated as of the date of this Amended and Restated Employee Transition Agreement between Ford and Visteon.

1.12 "GROUP I EMPLOYEE" shall mean a U.S. Visteon Employee who as of the Benefit Transition Date is eligible for immediate normal or regular early retirement under the provisions of the GRP as in effect on the Benefit Transition Date.

1.13 "GROUP II EMPLOYEE" shall mean a U.S. Visteon Employee who

- (i) is not a Group I Employee;
- (ii) has as of the Benefit Transition Date a combination of age and credited service under the GRP that equals or exceeds sixty (60) points (partial months disregarded); and
- (iii) could have become eligible for normal or regular early retirement under the provisions of the GRP as in effect as of the Benefit Transition Date within the period after the Benefit Transition Date equal to the employee's credited service under the GRP as of the Benefit Transition Date.

1.14 "GROUP III EMPLOYEE" shall mean any U.S. Visteon Employee who participates in the GRP other than a Group I or II Employee.

1.15 "IRS" means the U.S. Internal Revenue Service.

1.16 "OSHA" shall mean the Occupational Safety and Health Act of 1970, as amended.

1.17 "PBGC" shall mean the Pension Benefit Guaranty Corporation.

1.18 "SFAS NO. 87" shall mean the Statement of Financial Accounting Standards No. 87.

1.19 "SFAS NO. 106" shall mean the Statement of Financial Accounting Standards No. 106.

1.20 "TRANSFER DATE" shall mean the date specified in the Master Transfer Agreement with respect to each entity or interest to be transferred pursuant thereto.

1.21 "VISTEON BALANCE SHEET" shall mean the balance sheet for Visteon Automotive Systems as of March 31, 2000, as prepared by Ford.

1.22 "VISTEON EMPLOYEES" shall mean

- (i) Active Ford Business Employees who are transferred to Visteon pursuant to the terms hereof and who are at work on the Transfer Date including those on paid time off (i.e., Jury Duty Pay, Bereavement Pay, Short Term Military Pay, Vacation Pay and Paid Holiday) and those on reduced or

alternate work schedules; and

- (ii) Inactive Ford Business Employees or Ford Retirees on a disability retirement who are transferred to Visteon pursuant to the terms hereof on the Reinstatement Date or Disability Retiree Reinstatement Date.

For purposes of this Agreement, Visteon Employees shall not include any employees hired directly by Visteon after the Transfer Date, except for those specified in (ii) above. "Visteon Employees" shall also include any Ford employee who transferred to Visteon after the Transfer Date and on or prior to the Distribution Date.

1.23 "VISTEON RETIREE" shall mean a former Ford Business Employee, or a surviving spouse or beneficiary of a former Ford Business Employee, who became a Visteon Employee and who terminated service with Visteon after the Benefit Transition Date and is receiving retirement benefits under a Ford sponsored retirement plan and a Visteon sponsored retirement plan.

## ARTICLE II

### EMPLOYMENT RESPONSIBILITY

#### 2.01 EMPLOYEE CENSUS.

On the Transfer Date, Ford shall provide Visteon a preliminary employee census ("Employee Census") containing the following information:

- (i) a list of all Active Ford Business Employees by location;
- (ii) a list of all Inactive Ford Business Employees by location;
- (iii) the job classification of each Ford Business Employee;
- (iv) the Ford Service Date of each Ford Business Employee;
- (v) the base monthly salary of each Ford Business Employee;
- (vi) the reason for any absence of any Ford Inactive Business Employee and the date any leave expires.

Ford shall finalize the Employee Census no later than thirty (30) days after the Transfer Date, subject to Visteon review. Ford shall not be responsible for providing Visteon an Employee Census of the Global Ford Business Employees.

#### 2.02 EMPLOYMENT TRANSFER.

Unless otherwise agreed, Ford shall transfer the employment of the Active Ford Business Employees to Visteon effective on the Transfer Date and the Active Ford Business Employees shall become Visteon Employees effective on the Transfer Date. Ford shall transfer to Visteon the employment of an Inactive Ford Business Employee who is recalled from layoff or other inactive status or requests reinstatement on or

before the date such employee's leave of absence expires or as of the date such employee's medical disability ceases and such employee is released by their personal physician to return to their former position of employment or a comparable position consistent with any medical restrictions, as applicable (the "Reinstatement Date"). In addition, Ford shall transfer to Visteon employment responsibility for a Ford Retiree on a disability retirement ("Disability Retiree") on the date the medical disability ceases, such employee is released by their personal physician to return to their former position of employment or a comparable position consistent with any medical restrictions, and the retirement committee approves the return to work ("Disability Retiree Reinstatement Date"). The Transfer Date, the Reinstatement Date and the Disability Retiree Reinstatement Date shall be known as the "Employment Date". Notwithstanding the above, Visteon shall remain financially responsible for any costs incurred by Ford or its benefit plans and programs related to the Inactive Ford Business Employees between the Transfer Date and the Employment Date, and Visteon shall reimburse Ford for any such costs under a method to be mutually agreed by the Parties. A Ford Business Employee who is on an international service assignment to a non-Business activity as of the Distribution Date shall remain in such assignment until scheduled to return and shall return to the originating activity. A Ford employee who is on international service assignment to a Business activity as of the Distribution Date shall remain in such assignment until scheduled to return and shall return to the originating activity. Visteon or Ford, as applicable, shall reimburse the other for the costs of such employees after the Distribution Date under a method to be mutually agreed by the Parties. A Ford Business Employee who is on international service assignment to a non-Business activity as of the Distribution Date shall be considered a Visteon Employee as of the Transfer Date, and generally shall be covered under the terms of this Agreement to the same extent as other Visteon Employees. Visteon and Ford shall determine at a later date appropriate transition measures for such employees, and for a Ford employee who is on international service assignment to a Business activity as of the Distribution Date, pursuant to the process described in Section 3.13.

#### 2.03 RECOGNITION OF SERVICE.

Visteon shall recognize, or shall cause its subsidiaries or affiliates to recognize, the Ford Service Date or Subsidiary Service Date, as applicable, of each Global Visteon Employee in determining years of service under the employee benefit plans and other compensation and benefit practices and policies of Visteon or its subsidiaries or affiliates both prior to the Benefit Transition Date and thereafter, except as otherwise provided in this Agreement.

#### 2.04 COMPENSATION AND BENEFIT PLANS.

Visteon shall pay each Global Visteon Employee at the same base salary rate or hourly rate as was applicable to them as a Global Ford Business Employee, and shall implement any merit, promotional or other increases that were scheduled to go into effect as of the Transfer Date. Effective on the Transfer Date, and except as otherwise provided in this Agreement, Visteon shall adopt the same benefit plans and programs

for Visteon Employees as are in effect for Ford Business Employees as of the Transfer Date, and shall participate in the Ford employee benefit plans and programs as a participating subsidiary or its equivalent until the Benefit Transition Date. Visteon shall reimburse Ford for any such legally incurred cost and expense consistent with the methods presently in effect for charging such expenses to participating subsidiaries or their equivalents using methodology consistent with U.S. GAAP and acceptable to both Parties. In addition, Visteon shall reimburse Ford for any costs and expense incurred prior to the Benefit Transition Date and that relate to Ford Retirees under an incentivized separation program. Effective on the Benefit Transition Date, and except as otherwise provided herein, Visteon shall adopt, or shall cause its subsidiaries or affiliates to maintain or adopt, benefit plans and programs for the U.S. Global Visteon Employees that are substantially comparable in the aggregate to those that were in effect on the day immediately preceding the Benefit Transition Date and shall continue such programs substantially in effect for at least four (4) years after the Distribution Date, provided, however, if Ford makes changes in the benefit plans and programs applicable to Ford employees during the four (4) year period, Visteon or its subsidiaries or affiliates, as applicable, shall be permitted, but shall not be required, to make a comparable change. The comparability period shall not be effective with respect to U.S. employees of Visteon who were hired as new hires by Visteon after the Transfer Date or with respect to non-U.S. Global Visteon Employees. Except as otherwise provided in this Agreement, Ford shall take such action as is necessary to eliminate Global Visteon Employees from Ford sponsored benefit plans and programs as of the Benefit Transition Date unless otherwise agreed by the Parties, and thereafter Global Visteon Employees shall have no rights under any such plans or programs.

#### 2.05 PAID TIME OFF.

Effective as of the Employment Date, each Global Visteon Employee shall retain the same paid time off eligibility they had under Ford's paid time off policy, or the policy of Ford's Subsidiaries or Affiliates. Any paid time off used by a Global Ford Business Employee in 2000 prior to the Employment Date shall be counted against such employee's entitlement as a Global Visteon Employee after the Distribution Date until December 31, 2000.

#### 2.06 COLLECTIVE BARGAINING AGREEMENTS.

Certain of the Ford Business Employees are covered under the terms of the collective bargaining agreements listed on Attachment A. Effective as of the Transfer Date, Visteon shall assume the obligation of Ford under the collective bargaining agreements applicable to such employees, and Ford shall be relieved of any further obligations under such agreements with respect to such employees. The Agreement Governing the Separation of the Ford Visteon Organization dated January 25, 2000 between Ford and the Ford European Works Council, attached hereto as Attachment B, shall apply to the Ford Business Employees represented by the Ford European Works Council, and Visteon agrees to abide by its terms.

## 2.07 REEMPLOYMENT RESTRICTION.

Except with the consent of Visteon, Ford shall not hire any Global Visteon Employee during the period commencing as of the Distribution Date and terminating twelve months thereafter, unless otherwise required by law.

Notwithstanding the above, Ford shall be permitted to hire any Global Visteon Employee during the twelve month period in the event such Global Visteon Employee incurs an employment loss as a result of a Reduction in Force (as hereafter defined). A "Reduction in Force" means an action by Visteon that results in an employment loss for (i) at least ten (10) employees either within a thirty (30) day period or at any time if the employment loss was related to a single employment decision or (ii) any number of employees in the event of a plant or facility closing. An employee suffers an employment loss if (i) the individual's employment ends for any reason other than a discharge for cause, voluntary resignation or voluntary retirement; (ii) the individual is placed on a layoff which is reasonably expected to exceed six months; or (iii) the individual's hours of employment are reasonably expected to be involuntarily reduced by more than fifty (50) percent during each month of a six month period. An employment loss shall not be deemed to have occurred if the employee was transferred to a successor employer in connection with a sale, disposition or reorganization of all or any part of Visteon's business.

## ARTICLE III

## EMPLOYEE BENEFIT PLANS

## 3.01 U.S. QUALIFIED DEFINED BENEFIT RETIREMENT PLANS.

- a. GRP Participating Subsidiary. U.S. Ford Business Employees participate in the GRP as employees of Ford. Effective as of the Transfer Date, Visteon shall take such corporate action as is necessary to participate in the GRP as a "Participating Subsidiary" as defined in the GRP with respect to the Visteon Employees until the Benefit Transition Date. Ford hereby consents to such participation by Visteon. Visteon shall reimburse Ford for the cost of any early separation incentive programs applicable to U.S. Ford Business Employees prior to the Benefit Transition Date.
- b. Visteon Mirror GRP.
  - (i) Establishment of Plan. Effective on the Benefit Transition Date, or such later date as the Parties may mutually agree, Visteon shall establish its own defined benefit pension plan that with respect to Group III Employees contains provisions that duplicate the benefit provisions of the GRP as it pertains to service prior to the Benefit Transition Date and with respect to Group I and II Employees, contains substantially comparable benefit provisions with respect to

service after the Benefit Transition Date ("Visteon Mirror GRP"). The Visteon Mirror GRP shall be responsible for providing retirement benefits for Group I and Group II Employees for service on or after the Benefit Transition Date and, subject to receipt of the asset transfer described below, for Group III Employees for service recognized under the GRP prior to the Benefit Transition Date and for service with Visteon after the Benefit Transition Date. The Visteon Mirror GRP shall recognize credited service of Visteon Employees under the GRP through the Benefit Transition Date for purposes of eligibility to participate and eligibility for benefits to the same extent as such credited service (or ERISA service) was counted under the GRP. Notwithstanding the above, for purposes of calculating the Part B Contributory Benefit, only a total of thirty five (35) years of combined Ford and Visteon service may be used. Apportionment of the Part B Contributory Benefit between the GRP and the Visteon Mirror GRP when total years of Contributory Service exceed 35, shall be computed as follows:

$$\begin{array}{ll} \text{GRP:} & \text{PB} \times \text{N} / 35 \\ \text{Visteon Mirror GRP:} & \text{PB} \times (35 - \text{N}) / 35 \end{array}$$

where PB is the total Part B Contributory Benefit payable under the GRP computed as if the participant had 35 years of GRP Contributory Service at date of retirement and N is the number of years (and months) of Contributory Service under the GRP to a maximum of 35 years.

- (ii) Asset Transfer Valuation. Ford shall cause to be transferred from the GRP assets in cash or cash equivalents, or marketable securities reasonably acceptable to Visteon, that shall equal the projected benefit obligation, as defined in SFAS No. 87, of the liabilities related to the Group III Employees as of the Benefit Transition Date ("GRP PBO Value") determined by an independent actuary appointed by Ford ("Ford Actuary") in accordance with the principles stated below:
- (A) The present value of liabilities will be determined under SFAS No. 87 as the projected benefit obligation, using the actuarial assumptions and methods that are published in the most recent actuarial valuation for accounting purposes for the GRP prepared by Buck Consultants.
  - (B) A discount rate as of the Benefit Transition Date determined by Ford using its normal methods for developing a SFAS No. 87 discount rate but based on market interest rates as of the Benefit Transition Date.

In no event shall the GRP PBO Value as calculated on the basis described above result in an asset transfer less than the amount necessary to reflect the requirements of the provisions of Code Section 411(d) and 414(l) and the Treasury Regulations issued thereunder and the actuarial methods and assumptions established by the PBGC with respect to spin-offs of pension plans where liabilities, for purposes of Code Section 411 (d) and 414(l), are calculated using a discount rate equal to the applicable rate or rates published by the PBGC and in effect for plans terminating on the Benefit Transition Date. The determination of the GRP PBO Value by the Ford Actuary shall be submitted to an independent actuary appointed by Visteon (the "Visteon Actuary") for verification but such verification shall relate only to the calculation of the GRP PBO Value on the basis set forth above. If the Visteon Actuary and the Ford Actuary are unable to agree on a verification, they shall jointly designate a third independent actuary whose verification shall be final and binding. Ford and Visteon shall each pay one-half of the costs of such third actuary.

- (iii) Transfer to Qualified Plan. Within ninety (90) days of the Transfer Date (but in no event later than the Benefit Transition Date), Visteon shall provide Ford with the plan document for the Visteon Mirror GRP, together with either (A) an opinion letter of counsel reasonably acceptable to Ford that the Visteon Mirror GRP satisfies the requirements for qualification under Section 401 (a) of the Code as of its effective date or will be amended to meet the qualification requirements in the event the IRS requires retroactive amendments to the Visteon Mirror Plan as part of the determination letter process and that the transfer of assets provided in (iv) below shall not affect the qualification of such plan, or (B) a favorable determination letter issued by the IRS that the Visteon Mirror GRP satisfies the requirements for qualification under Section 401 (a) of the Code as of its effective date.
- (iv) Asset Transfer. As soon as practicable after the latest of (A) the date on which the GRP PBO Value is determined and verified pursuant to (ii) above, (B) the expiration of thirty days following the filing of Forms 5310 with the IRS and PBGC in respect of the GRP and the Visteon Mirror GRP or (C) the receipt by Ford of the opinion or determination letters described in (iii) above and determination by Ford that the Visteon Mirror GRP satisfies the terms of this Agreement (the "Asset Transfer Date"), Ford shall cause the trustee of the GRP to transfer assets and respective liability therefore to the Visteon Mirror Pension Plan in such amount and in such form as provided in (ii) above, together with interest

from the Benefit Transition Date to the first of the month immediately preceding the Asset Transfer Date, at the Ford Master Trust rate or return, and thereafter until the Asset Transfer Date, interest at the 90-day Treasury Bill rate on a bond equivalent yield in effect on the last business day of the month immediately preceding or coincident with the Asset Transfer Date as quoted in the Wall Street Journal.

- (v) No Further Liability. Upon receipt of the transferred assets from the GRP, neither Ford nor the GRP shall have any further liability to the Group III Employees for benefits for service under the GRP with respect to which liabilities and assets have been transferred. Ford and Visteon shall use their respective best efforts to make amendments to their respective plans and trusts as may be necessary or appropriate to effect the transfers contemplated by these provisions.
- (vi) Pension Security. The assets of the Visteon Mirror GRP that are transferred from the GRP trust as provided in section (iv) above, and any earnings thereon, shall be held in a separate trust for a period equal to five years commencing as of the Benefit Transition Date. Such assets shall be available only for the purposes of providing pension benefits for plan participants and their beneficiaries for service under the Ford GRP through the Benefit Transition Date ("Visteon Past Service Trust"). In the event the assets in the Visteon Past Service Trust are insufficient to pay the liability for accrued benefits measured on a plan termination basis, determined as of each year end, using PBGC assumptions, including the PBGC discount rates, mortality tables and expected retirement ages unless Ford agrees to such other rates, tables and assumptions certified to by the Visteon Actuary as appropriate for measuring liabilities on a plan termination basis, while such Visteon Past Service Trust is maintained, Visteon shall contribute sufficient cash within thirty days of the date the year-end calculation is complete to restore the assets in the Visteon Past Service Trust to be at least equal to such termination liability. Notwithstanding the above, Visteon need not contribute in any year an amount greater than the maximum tax deductible contribution allowed for such year, and provided further, that if the contribution required would exceed \$10 million in any year, Visteon shall have the option to pay \$10 million the first year, and shall pay the balance in succeeding years in annual installments of at least \$5 million until the obligation is satisfied, together with interest on the obligation at the 90 day Treasury Bill rate as quoted in the Wall Street Journal for the relevant period (the "Financial Burden Formula"). Visteon shall not terminate the Visteon Mirror GRP and revert assets to Visteon for a

period of five years after the Benefit Transition Date. Visteon shall not invest any assets of the Visteon Past Service Trust in an employer security as defined in Section 407(d)(1) of ERISA for a period of five years after the Benefit Transition Date.

c. Ford GRP Pension Liability.

- (i) Ford Retirees. The GRP shall retain liability for retirement benefits for all Ford Retirees, and shall retain all GRP assets with respect thereto. The benefits payable shall be based on the benefit provisions applicable under the GRP as of the date of retirement, and as may be subsequently amended. To the extent that such benefit is based on final average salary under the GRP, the GRP will take into account any base salary paid at Visteon while an employee as of the December 31 prior to the Benefit Transition Date. Ford shall amend the GRP to provide that Ford Retirees may be employed at Visteon after the Distribution Date and remain eligible to receive benefits under the GRP.
  
- (ii) Group I and Group II Employees For Pre-Benefit Transition Date Service. The GRP shall retain liability for retirement benefits of Group I and Group II Employees, but only for service through the Benefit Transition Date. The GRP shall recognize credited service (or ERISA service) of U.S. Visteon Employees under the Visteon Mirror GRP for purposes of eligibility to participate and eligibility for benefits to the same extent as if such credited service (or ERISA service) was earned under the GRP, but not for purposes of benefit calculation. The retirement benefits paid to Group I and Group II Employees from the GRP shall be based on the benefits in effect as of the retirement date using the final average salary of the Group I or Group II Employee at retirement from Visteon, giving effect to Visteon base salary increases after the Benefit Transition Date. Visteon shall reimburse Ford for the following additional costs: (A) the cost of benefit increases under the GRP that occur after the Benefit Transition Date and relate to service prior to the Benefit Transition Date; (B) for the effect on the PBO related to Group I and Group II Employees for any Visteon average merit salary increase which exceeds the average Ford merit increase by one-half percent in any given year, provided Visteon shall receive credit if the Visteon average merit salary increase is less than the average Ford merit increase by one-half percent in any given year; and (C) for the effect on the PBO related to Group I and Group II Employees as a result of Visteon's implementation of any early separation incentive programs or a Reduction in Force, provided however, that Visteon shall receive credit if the effect of such programs reduces the PBO. For purposes of the 2001 Visteon Separation Programs, as defined

below, it is acknowledged and agreed that the present value as of July 1, 2001 for the effect of the 2001 Visteon Separation Program (phase 1) on the PBO related to the Group I and Group II Employees is \$28,865,296.00 and as of September 1, 2001 (phase II) the effect is \$1,947,437.00, which also includes the effect on the PBO related to the BEP and SERP as provided in Section 3.02(c)(ii), as amended. In accordance with Exhibit Z, Visteon shall reimburse Ford \$ 30,812,733.00, together with interest, as provided below. The "2001 Visteon Separation Program" shall mean involuntary separation programs established by Visteon for calendar year 2001. Such reimbursements shall be done annually no later than the later of (a) March 31 with respect to the preceding calendar year and (b) thirty days after the annual actuarial valuation of the GRP is completed by the Ford Actuary and verified by the Visteon Actuary. If the reimbursements for either Party exceed in the aggregate \$10 million per year (relating to costs under (A), (B) and (C) under Section 3.02(c) (ii) or under this Section incurred in that year, but not including costs under (A), (B) and (C) under Section 3.01c(ii) or this Section for prior years, the Party with the obligation shall have the option to pay the obligation according to the Financial Burden Formula.

d. Prorated GRP Supplements.

(i) Early Retirement Supplement. To the extent that an Early Retirement Supplement is payable under the GRP to a Group I or Group II Employee who has completed at least 30 years combined GRP and Visteon Mirror GRP credited service, the amount of the Early Retirement Supplement shall be computed as described below:

(a) The GRP shall pay an Early Retirement Supplement equal to:

$$\frac{(\text{"Total 30 and Out Benefit" minus LIB}) \times \text{FS}}{(\text{Max. 30}) / 30}$$

(b) While the Visteon Mirror GRP has the same benefit provisions as the Ford GRP, the Visteon Mirror GRP shall pay an Early Retirement Supplement equal to:

$$\frac{(\text{"Total 30 and Out Benefit" minus LIB}) \times [30 \text{ minus FS (Max. 30)}]}{30}$$

where

"Total 30 and Out Benefit" is the Total 30 and Out Benefit applicable when the total GRP and Visteon Mirror GRP credited service exceeds 30 years. For illustration, the amount of Total 30 and Out Benefit from October 1, 1999 to September 30, 2000 is \$2,380 per month.

"FS (Max. 30)" is total credited service in the GRP, not to exceed 30 years.

"LIB" is the monthly Life Income Benefit (before survivor option) applicable to the total GRP and Visteon Mirror GRP credited service.

The amount of "Total 30 and Out Benefit" minus LIB cannot be negative.

(c) Exhibit AA illustrates the methodology.

(i) Interim Supplement or Temporary Benefit. To the extent that any Interim Supplement or Temporary Benefit is payable under the GRP to a Group I or Group II Employee, the amount of the Interim Supplement or Temporary Benefit as applicable, shall be determined by multiplying the number of years of credited service (not to exceed 30), including fractions of a year, under the GRP as of the Benefit Transition Date by the monthly Interim Supplement Rate, or Temporary Benefit Rate, as applicable, in effect at the time of retirement. To the extent that any Interim or Temporary Benefit is payable under the Visteon Mirror GRP to a Group I or Group II Employee, the amount of the benefit shall be determined by multiplying the number of years of credited service (except if the combined Ford and Visteon service exceeds thirty, then the Visteon benefit shall be determined by subtracting from thirty years the years of Ford credited service), including fractions of a year, under the Visteon Mirror GRP by the monthly Interim Supplement Rate, or Temporary Benefit Rate, as applicable, in effect at the time of retirement. In the event a Group I or Group II Employee has credited service under the GRP of thirty or more years as of the Benefit Transition Date, no Visteon Mirror Interim Supplement or Temporary Benefit shall be payable.

e. Group II Employees Who Fail Grow-in. Except as otherwise provided by law, for those Group II Employees who do not continue to be employed by Visteon or a successor to Visteon until such time as their age and combined service with Ford through the Benefit Transition Date and with Visteon or its successor after the Benefit Transition Date would be sufficient to result in eligibility for retirement under the GRP, any benefit

payable for years of service prior to the Benefit Transition Date shall be based on the benefit rate and final average salary, if applicable, in effect under the GRP on the date such employee breaks service under the Visteon Mirror GRP. In such event, such employee shall be treated as a "deferred vestee" under the GRP, if otherwise eligible based on combined service. Benefits for service at Visteon after the Benefit Transition Date shall be payable by Visteon. Notwithstanding the above, in the event that Visteon implements a Reduction in Force that prevents a Group II Employee who is at least age 45 with 10 or more years of credited service under the GRP at the time of separation from Visteon employment from achieving eligibility for the grow-in because the employee was separated from Visteon employment, Ford shall amend the GRP to provide that such affected Group II Employee shall be permitted to continue to grow-in to retirement eligibility despite the employment loss. Such a Group II Employee shall be eligible for the following types of retirement under the GRP. If the Group II Employee was between ages 50 and 54 (inclusive) with at least 10 years of credited service recognized under the GRP at the time of separation from Visteon employment prior to April 1, 2002, such employee shall be eligible for a special early retirement benefit under the GRP commencing at age 55. If the Group II Employee was between ages 50 and 54 (inclusive) with at least 10 years of credited service recognized under the GRP at the time of separation from Visteon employment on or after April 1, 2002, such employee shall be eligible for a regular early retirement benefit commencing at age 55 but not a special early or disability retirement benefit. If the Group II Employee was between ages 45 and 49 (inclusive) with at least 10 years of credited service recognized under the GRP at the time of separation from Visteon employment, such employee shall be eligible for a regular early retirement benefit commencing at age 55, but shall not be eligible for an Early Retirement Supplement or Interim Supplement under the GRP or a special early or disability retirement benefit. Any benefit payable under the GRP for years of service prior to the Benefit Transition Date shall be based on the benefit rate in effect on the employee's retirement date and final average salary, if applicable, in effect on the date such employee breaks service under the Visteon Mirror GRP. The cost of providing any post retirement health and life benefits under the Plans for such a Group II Employee shall be paid by Visteon, in accordance with Section 3.03 as provided for other Group II Employees.

- f. U.S. Master Trust. After the Transfer Date, the defined benefit plans of Ford Electronics and Refrigeration, LLC. ("FE&R") may continue to participate in the U.S. Ford Master Trust until the Benefit Transition Date. Visteon shall establish a U.S. Visteon Master Trust no later than the Benefit Transition Date and Ford shall cause the Trustee of the U.S. Ford Master Trust to transfer the assets in such U.S. Ford Master Trust allocable to FE&R's defined benefit plans to the trustee of the U.S. Visteon

Master Trust. Assets shall be valued at the end of the month coincident with or following the Distribution Date ("Valuation Date") and cash or cash equivalents, or marketable securities acceptable to Visteon, shall be transferred within thirty (30) days thereafter, together with interest from the Valuation Date to the asset transfer date at the 90-day Treasury Bill rate on a bond equivalent yield in effect on the last business day of the month immediately preceding the asset transfer date as quoted in the Wall Street Journal. Assets attributable to such plans that are held outside the Ford Master Trust also shall be transferred to Visteon on or before the asset transfer date, in such form as such assets are presently held. Nothing herein contained shall be construed as to prohibit Ford from causing Visteon to transfer assets and liabilities from FE&R sponsored salaried defined benefit plans to Ford sponsored defined benefit plans prior to the Benefit Transition Date for the purpose of aligning appropriate liabilities with respect to the Business, provided such transfers comply with applicable law and result in each such FE&R salaried defined benefit plan having assets with a fair market value as of January 1, 2000 equal to the projected benefit obligation, as defined in SFAS No. 87, of the liabilities related to non-transferred participants in each such plan as of January 1, 2000. Visteon shall cooperate with Ford in effectuating such transfers in the period between the Transfer Date and the Benefit Transition Date.

- g. Avoidance of Duplication. Both Ford and Visteon recognize that, while the benefit provisions of the Visteon Mirror GRP are the same as the GRP, the retirement benefits payable to a Group I or Group II Employee who retires with credited service in both plans is to equal the benefit otherwise payable to such employee as if total credited service were in the GRP.

Both Ford and Visteon agree that application of this Agreement shall, in all respects, be consistent with this principle.

- h. Disability Retirement. Notwithstanding anything herein to the contrary, in the event a Group I Employee (other than a Group I Employee who as of the Benefit Transition Date is eligible for immediate normal retirement under the provisions of the GRP as in effect on the Benefit Transition Date) or a Group II Employee
- (i) becomes totally and permanently disabled as provided for under the terms of the GRP; and
  - (ii) such disability is approved by the GRP Retirement Committee,

the GRP shall pay Disability Retirement benefits based on the employee's credited service through the Benefit Transition Date.

- a. Participating Subsidiary. Ford maintains the following U.S. non-qualified retirement plans in which certain U.S. Ford Business Employees who are eligible under the terms of the plans participate: The Benefit Equalization Plan ("BEP"), the Supplemental Executive Retirement Plan ("SERP") and the Executive Separation Allowance Plan ("ESAP") and the Select Retirement Plan ("SRP"). As of the Transfer Date, Visteon shall take such corporate action as is necessary to become a Participating Subsidiary under the SERP, ESAP and SRP and Ford hereby consents to such participation.
- b. Visteon Mirror NQPs. Effective on the Benefit Transition Date, Visteon shall establish for the benefit of the U.S. Visteon Employees who are otherwise eligible as of the Benefit Transition Date for a BEP, SERP or ESAP benefit, its own non-qualified retirement plans that with respect to eligible Group III Employees contain provisions that duplicate the benefit provisions of the BEP, SERP and ESAP as it pertains to service prior to the Benefit Transition Date and with respect to eligible Group I and Group II Employees, contains substantially comparable benefit provisions with respect to service after the Benefit Transition Date ("Visteon Mirror NQPs"). For eligible Group I and Group II Employees, Visteon shall be responsible for paying a benefit for service after the Benefit Transition Date under the Visteon Mirror NQPs. For eligible Group III Employees, the liability for any service prior to the Benefit Transition Date under the BEP, SERP and ESAP shall be transferred to the respective Visteon Mirror NQPs, and Visteon shall be responsible for paying a benefit based on combined service at Ford and Visteon. Visteon's Mirror NQPs shall recognize service at Ford for purposes of determining any minimum years of service to achieve eligibility for benefits under such plans.

The Group I and Group II Employees' ESAP benefits shall be computed as follows:

Ford ESAP:  $FS \times TB / TS$

where

FS is service with Ford and Visteon, up to the Benefit Transition Date  
 VS is service with Visteon after the Benefit Transition Date  
 TS is the sum of FS and VS  
 TB is the total ESAP benefit payable in respect of total Ford and Visteon service based on the Group I or Group II Employee's Leadership Level on the day prior to the Benefit Transition Date.

- c. Ford Liability.

- (i) Ford Retirees. Ford shall retain the liability for eligible Ford Retirees. The benefit payable under the BEP, SERP, ESAP and SRP shall be based on the benefit provisions applicable under such plans as of the date of retirement, and as may be subsequently amended. To the extent such benefit is based on final average salary or final salary, the applicable plan will take into account any base salary paid at Visteon prior to the Benefit Transition Date. Ford Retirees may be employed at Visteon after the Distribution Date and remain eligible to receive benefits under the BEP, SERP, ESAP and SRP.
- (ii) Group I and Group II Employees for Pre-Benefit Transition Date Service. Ford shall retain the liability for benefits for Group I or Group II Employees who have attained the minimum Leadership Level required for such benefits as of the Benefit Transition Date, but only for service through the Benefit Transition Date. For example, a Group I or Group II Employee who attains Leadership Level 1 or 2 on or after the Benefit Transition Date shall have no benefit payable under ESAP. In the event a Group I or Group II Employee who has attained the minimum Leadership Level required for such benefits as of the Benefit Transition Date, is subsequently promoted by Visteon, the benefit payable to such an employee under the SERP with respect to service prior to the Benefit Transition Date will be calculated on the basis of the accrual rate applicable to such employee's Leadership Level or Officer position as of the Benefit Transition Date. At retirement the Visteon SERP shall pay any increase to the past service SERP benefit related to the change in the benefit accrual rate resulting from such promotion. As soon as practical after the Benefit Transition Date, Visteon shall pay cash to Ford in an amount equal to the BEP, SERP and ESAP projected benefit obligation with respect to the eligible Group I or Group II Employees determined by the Ford Actuary and verified by the Visteon Actuary as of the Benefit Transition Date. If the Visteon Actuary and the Ford Actuary are unable to agree on a verification, they shall jointly designate a third independent actuary whose verification shall be final and binding. Ford and Visteon shall each pay one-half of the costs of such third actuary. The benefits paid to an eligible Group I or Group II Employee from the BEP, SERP and ESAP shall be based on the accrued benefits and eligibility, at rates in effect as of the retirement date using the final average salary, or final salary as applicable, of the eligible Group I or Group II Employee at retirement, giving effect to Visteon salary increases after the Benefit Transition Date, but not changes in the benefit accrual rate resulting from promotions after the Benefit Transition Date. Visteon shall reimburse Ford for the following additional costs: (A) the cost of benefit increases under the BEP, SERP and ESAP that occur after the Benefit Transition Date including changes in the benefit accrual

rate but not changes in the benefit accrual rate resulting from promotions after the Benefit Transition Date, when such increases occur; (B) for the effect on the PBO for any Visteon average merit salary increase which exceeds the average Ford merit increase by one-half percent in any given year provided that Visteon shall receive credit if the Visteon average merit salary increase is less than the average Ford merit increase by one-half percent in any given year; and (C) for the effect on the PBO related to Group I and Group II Employees as a result of Visteon's implementation of any early separation incentive programs or a Reduction in Force, provided however, that Visteon shall receive credit if the effect of such programs reduces the PBO. The method of computing the reimbursements shall be as described on Schedules X, Y and Z. The discount rate to be used in the computation in Appendix Z shall be the rate that Ford would have used for a SFAS 88 calculation based on Ford's normal methods of deriving such rate. For the avoidance of doubt, this discount rate would generally be the same as the discount rate at the start of the calendar year unless either (a) the early separation incentive program or Reduction in Force constitutes a material event requiring a restatement of liabilities or (b) the separation program generated the majority of terminations in December. The amount of reimbursement shall be determined by Ford's Actuary and shall be subject to verification by Visteon's Actuary. If the Visteon Actuary and the Ford Actuary are unable to agree on a verification, they shall jointly designate a third independent actuary whose verification shall be final and binding. Ford and Visteon shall each pay one-half of the costs of such third actuary. Such reimbursements shall be done annually no later than the later of (a) March 31 with respect to the preceding calendar year and (b) thirty days after the annual actuarial valuation of the BEP, SERP and ESAP is completed by the Ford Actuary and verified by the Visteon Actuary. If the reimbursements for either Party exceed in the aggregate \$10 million per year (relating to costs under (A), (B) and (C) above or under (A), (B) or (C) under Section 3.01 c(ii) incurred in that year, but not including costs under (A), (B) and (C) above or under (A), (B) or (C) under Section 3.01 c(ii) incurred in prior years), the Party with the obligation shall have the option to pay the obligation according to the Financial Burden Formula.

- (iii) Group III Employees. After the Benefit Transition Date, Ford shall have no liability for benefits payable to eligible Group III Employees with respect to service prior to the Benefit Transition Date.

## 3.03 RETIREE HEALTH CARE AND RETIREE LIFE INSURANCE.

Visteon shall pay the cost of providing post-retirement health and life benefits for Group I and Group II Employees under the Ford Health and Group Life and Disability Insurance Plan (the "Plans") ("OPEB") beginning as of the Benefit Transition Date as provided below.

- a. Determination of Annual Cash OPEB Reimbursement. For the portion of 2000 that follows the Benefit Transition Date and for each calendar year thereafter until the OPEB liability for the Group I and Group II Employees is extinguished, the annual cash OPEB reimbursement to the Plans for any given year shall be an amount equal to the sum of (i) and (ii) where:
- (i) is the estimated amount of OPEB claims paid during the period to the Group I and Group II Employees who retire after the Benefit Transition Date, together with their spouses or dependents, determined on the basis of average per contract claims costs for Ford salaried retirees; and
  - (ii) is an allocable share of administration expenses based on ratio of OPEB Liability for Group I and II Employees to the total Ford salaried OPEB liability unless Ford and Visteon agree to another method.

The Annual Cash OPEB Reimbursement shall be determined by the Ford Actuary; the Visteon Actuary will have the opportunity to verify the calculation. The cash shall be payable at a time agreed by the Parties, but in no event shall the payment be made any less frequently than monthly, in which event the payment shall be due no later than fifteen days after the end of the month.

- b. Pre-Funding of SFAS 106 Liability. Visteon will establish and maintain a Voluntary Employees' Beneficiary Association, other tax-advantaged funded vehicle, such as a 401 (h) medical account under a qualified pension plan, or a similar bankruptcy remote trust (collectively "VEBA") whose purpose is to reimburse the Plans in respect of the claims and administration costs described in Section 3.03(a)(ii) above. Visteon agrees that it will make a series of cash payments to the VEBA with the intent that by December 31, 2049 the assets in the VEBA will equal Visteon's balance sheet liability at the same date for OPEB benefits in respect of Group I and Group II Employees. The cash payment to the VEBA shall commence no later than January 1, 2011 and shall be payable in advance in twelve equal monthly installments as follows:

- (i) For years 2011 through 2020. The amount of cash payable to the Visteon VEBA in each year commencing January 1, 2011 through December 31, 2020 shall be an amount equal to the sum of (A) and (B) where:
- (A) is the OPEB balance sheet liability in respect of Group I and II Employees as of December 31, 2010 (this amounts to be determined by the Ford Actuary and verified by the Visteon Actuary), divided by 10; and
  - (B) is the annual amortized SFAS 106 expense which is an amount equal to the SFAS 106 expense with respect to Group I and II Employees as computed by the Ford Actuary and verified by the Visteon Actuary and based on assumptions used by Ford for its Ford salaried employees, and reduced by the actual return on the VEBA, amortized over 30 years for the period commencing January 1, 2011 and ending December 31, 2020.
- (ii) For years 2021 through 2049. The amount of cash payable to the Visteon VEBA in each year commencing January 1, 2021 through December 31, 2049 shall be an amount equal to the SFAS 106 expense for the year determined as provided in Section 3.01(b)(i)(B) above, reduced by the actual return on the VEBA, and amortized over a period equal to 30 minus n (30-n) where n is equal to the present year minus 2020.
- (iii) For years 2050 and After. The amount of cash payable to the Visteon VEBA in each year commencing on or after January 1, 2050 shall be an amount equal to the SFAS 106 expense for the year determined as provided in Section 3.01(b)(i)(B) above, reduced by the actual return on the VEBA, if any.

If, at any annual valuation, the value of assets in the VEBA equals or exceeds the remaining balance sheet liability in respect of Group I and II Employees, the Parties will agree on a revised payment schedule with the intent that, at December 31, 2049, the VEBA assets will be equal to the remaining liability. No later than December 31, 2030, and at least every five years thereafter, the Parties will review the funding progress and adjust the formula as necessary to achieve that intent.

Notwithstanding the above, Visteon may accelerate payments to the VEBA in its discretion. In the event the tax law or Visteon's tax position, subject to concurrence by Ford, would not provide Visteon a current tax benefit for the level of funding described above, Visteon may make only such contributions to the VEBA that would provide a current tax benefit to

Visteon, provided, however that the balance of the funding obligation is otherwise paid directly to Ford at such time as the payments are otherwise due to the VEBA. For purposes of the preceding sentence, the term "would not provide Visteon a current tax benefit" shall include such instances where making payments to the VEBA would cause adverse tax consequences to Visteon, such as an increase in net operating loss or foreign tax credit carryovers. Ford shall credit Visteon with interest on any amounts paid directly to Ford under this paragraph at the pretax rate of return earned annually on Ford's cash portfolio.

- c. Recordkeeping. In connection with administering Section 3.03 (a) above, Ford may decide to retain a third party service to determine the correct amount of Visteon reimbursements according to the methodology set forth in this Section 3.03. If Ford decides to retain a third party service, Ford shall consult with Visteon prior to appointing a third party service, but Ford shall retain the right to appoint a third party service in its sole discretion. Ford shall pay the expense of such third party service and Visteon shall reimburse Ford for such expense. The third party service shall be subject to audits by either Ford or Visteon or their authorized representatives.
- d. Continuation of Arrangements. The terms set forth in this Section 3.03 shall be in force until the last survivors and dependents of Group I and Group II Employees in service as of the Benefit Transition Date who are eligible for GRP retirement or OPEB benefits are deceased, or upon earlier termination agreed jointly by Ford and Visteon, including any VEBA or other arrangements or methods agreed in Section 3.03(b) (unless the Parties' respective auditors advise that joint agreement to terminate would jeopardize the expected accounting treatment of such arrangements or methods).
- e. Ability to Substitute. If necessary to preserve for each Party the economic benefits bargained for under this Attachment, the Parties agree to consider, in good faith, alternate methods of computing payments under this Section 3.03 as a substitute for the present provisions. Any method substituted shall have as its objective to produce a fair estimate of the OPEB expense and other payments as set forth in this Section 3.03. The Parties may agree to substitute an alternative method of computing reimbursement under this Section 3.03.
- f. Actuarial Verification. If the Ford Actuary and the Visteon Actuary are unable to agree on a verification, Ford and Visteon shall jointly designate a third independent actuary whose verification shall be final and binding. Ford and Visteon shall each pay one-half of the cost of such third actuary.
- g. 2001 Visteon Separation Program. For purposes of the 2001 Visteon Separation Programs, it is acknowledged and agreed that the effect of the

Visteon Separation Program on the OPEB related to the Group I and Group II Employees is \$10,558,708 as of May 1, 2001 (phase 1) and \$1,359,867 as of September 1, 2001 (phase II).

3.04 U.S. DEFINED CONTRIBUTION RETIREMENT PLANS.

- a. Participating Subsidiary. Ford sponsors the Ford Motor Company Savings and Stock Investment Plan ("Ford SSIP") for the benefit of the employees of Ford and its participating subsidiaries and certain U.S. Ford Business Employees elect to participate in the SSIP. Effective on the Transfer Date, Visteon shall take such corporate action as is necessary to participate in the SSIP as a "Participating Subsidiary" as defined in the SSIP with respect to the U.S. Visteon Employees who participate in the SSIP until the Benefit Transition Date. Ford hereby consents to such participation by Visteon. Ford shall amend the SSIP to vest all U.S. Ford Business Employees who participate in the SSIP in the Ford matching contributions contained in their SSIP accounts as of the Benefit Transition Date.
- b. Visteon SSIP. Effective on the Benefit Transition Date, Visteon shall establish its own defined contribution pension plan for the benefit of U.S. Visteon Employees that had participated in the SSIP that contains provisions substantially comparable to the SSIP, except that the number of investment elections may be reduced and the Ford Stock Fund election will be replaced with a Visteon Stock Fund election. The Visteon SSIP shall provide benefits related to contributions on or after the Benefit Transition Date. On a date to be agreed by both parties, and in any event, no later than July 1, 2001, U.S. Visteon Employees who have accounts in the SSIP will be given a one time opportunity to transfer no less than the entire balance in such accounts to the Visteon SSIP. U.S. Visteon Employees who choose to continue to participate in the SSIP with respect to contributions made prior to the Benefit Transition Date shall be treated as terminated employees under the provisions of the SSIP. However, no distributions will be permitted until the U.S. Visteon Employee separates from Visteon employment. Plan loans will be permitted subject to the SSIP rules and U.S. Visteon Employees who have SSIP loans currently or who take new SSIP Loans after the Benefit Transition Date shall be issued coupon books for their loan repayments. Hardship withdrawals will not be permitted.

3.05 FLEXIBLE BENEFITS PLAN.

Visteon shall establish a Flexible Benefits Plan for the benefit of U.S. Visteon Employees who participated in the Ford Flexible Benefits Plan ("Ford Flex Plan"), commencing on the Benefit Transition Date ("Visteon Flex Plan"). The Visteon Flex Plan shall include health care, life and accident insurance, health care spending

account, dependent care spending account, purchased vacation, the legal plan, vision care and financial planning on terms identical to those provided under the Ford Flex Plan for plan year 2000, and benefits substantially comparable thereafter, and shall be designed to comply with the requirements of Code Section 125 with respect to those benefits that are eligible to be included in a Section 125 arrangement. For plan year 2000, Visteon shall make available to U.S. Visteon Employees who participated in the Ford Flex Plan at least the same amount of FCA dollars and Bonus Flex Dollars as was made available under the Ford Flex Plan. For plan years commencing 2001 through 2003, Visteon shall make available to U.S. Visteon Employees who participated in the Ford Flex Plan at least the same amount of FCA dollars as was available under the Ford Flex Plan and the amount of Bonus Flex Dollars shall be determined on the basis of the same formula as was applicable under the Ford Flex Plan, but shall be based on Visteon's before tax return on sales.

### 3.06 SALARIED INCOME SECURITY PLAN.

As of the Transfer Date, Visteon shall become a participating subsidiary under the Ford Salaried Income Security Plan ("SISP"), and Ford hereby consents to such participation. Effective on the Benefit Transition Date, Visteon shall adopt its own severance plan with terms substantially comparable to those under the Ford SISP. Ford's limit on liability under the SISP shall be reduced prorata by the number of U.S. Global Visteon Employees. Effective as of the Transfer Date, Visteon shall assume the liability for any U.S. Visteon Business Employee who is receiving benefits under the Ford SISP. Ford shall retain the responsibility for paying such benefit payments and continuing any applicable insurance under the Ford SISP, and Visteon shall reimburse Ford annually for any such cost.

### 3.07 ANNUAL INCENTIVE COMPENSATION PLAN.

Global Visteon Employees who are otherwise eligible to participate in the Ford Annual Incentive Compensation Plan ("FAICP") shall continue to be eligible to participate under the same terms applicable to Ford employees after the Distribution Date through December 31, 2000, with awards for 2000 payable in March, 2001, provided that the pro forma award amounts, adjusted for Ford performance, under the FAICP for such Global Visteon Employees shall equal 50% of the adjusted target amounts. Adjustments for individual performance may be made to the extent of 50% of the amount of the Extraordinary Contribution Fund that would normally be allocated to the Visteon Employees. Visteon shall reimburse Ford for any amounts paid to Global Visteon Employees for 2000 under the FAICP. Visteon shall establish an interim bonus program for the remainder of 2000 following the Distribution Date for these Global Visteon Employees. If the Distribution Date occurs prior to January 1, 2001, Visteon shall adopt a Visteon Annual Incentive Compensation Plan ("VAICP"), subject to stockholder approval effective January 1, 2001. The Global Visteon Employees who were otherwise eligible to participate under the FAICP shall be eligible to participate under the VAICP. If the Distribution Date occurs on or after January 1, 2001, the Parties shall agree to alternate arrangements.

## 3.08 STOCK OPTION AND PERFORMANCE STOCK RIGHTS PROGRAMS.

- a. Ford Stock Option and Performance Stock Rights Programs. Ford Business Employees who are eligible to participate in the Ford 1998 Long-Term Incentive Plan ("FLTIP") shall be eligible for grants of Ford stock options in March, 2000. In general, any options granted in March, 2000 or in prior years under the FLTIP and the Ford 1990 Long-Term Incentive Plan to Ford Business Employees who become Visteon Employees continue and shall accrue until five years after the Distribution Date (provided that the Ford Business Employee had remained an employee of Ford or its Subsidiaries for at least three months after the date the option was granted) unless the option expires earlier or such employee's employment with Visteon terminates (other than due to disability, death or retirement with Visteon approval). Outstanding Ford Options designated as "incentive stock options" held by Visteon Employees will retain their tax attributes only if exercised within three months after the Distribution Date. Subject to approval of the Ford Compensation and Option Committee, Ford Retirees who received option grants in March, 2000 while employed by Ford but who retired from Ford prior to the date six months after the option grant date, shall be treated in accordance with the immediately preceding sentence with respect to those grants. Ford Business Employees who are eligible to participate under the FLTIP shall be eligible for grants of Ford Performance Stock Rights ("FPSRs") in the first quarter of 2000. Any grants of FPSRs to an eligible Ford Business Employee shall continue to be earned out and shall be paid out under the FLTIP as if such employee were still employed at Ford unless such employee's employment at Visteon terminates.
- b. Visteon Stock Option and Performance Stock Rights Programs. Visteon shall adopt a Visteon Long-Term Incentive Plan ("VLTIP"), subject to stockholder approval and regulatory restrictions. The Visteon Employees who were otherwise eligible to participate under the FLTIP shall be eligible to participate under the VLTIP in those countries where it is practicable based on the number of employees and difficulty and cost to comply with regulatory requirements. Visteon shall make grants of Visteon stock options under the VLTIP to eligible Visteon Employees in March 2001, and shall make grants of Performance Stock Rights to eligible Visteon Employees in March, 2001.

## 3.09 U.S. PERFORMANCE BONUS PLAN.

U.S. Global Visteon Employees who are otherwise eligible to participate in the U.S. Ford Performance Bonus Plan ("FPBP") shall continue to be eligible to participate under the same terms as applicable to Ford Employees after the Distribution Date through December 31, 2000, with awards for 2000 payable in March, 2001. Visteon

shall reimburse Ford for any amounts paid to U.S. Global Visteon Employees for 2000 under the FPBP. If the Distribution Date occurs prior to January 1, 2001, Visteon shall adopt a Visteon Performance Bonus Plan ("VPBP") effective January 1, 2001. The U.S. Global Visteon Employees who were otherwise eligible to participate under the FPBP shall be eligible to participate under the VPBP. If the Distribution Date occurs on or after January 1, 2001 or later, the Parties shall agree to alternate arrangements.

### 3.10 U.S. DEFERRED COMPENSATION PLAN.

Ford shall request the Ford Compensation and Option Committee to approve effective as of the Transfer Date the participation of U.S. Visteon Employees in the Ford Deferred Compensation Plan ("FDCP") and ability to make new deferral elections under the FDCP until the pay ending immediately prior to the Distribution Date. Visteon shall adopt a Visteon Deferred Compensation Plan ("VDCP") effective on the Distribution Date, and shall offer as an investment option a Visteon Stock Fund. Any deferral of compensation on or after the Distribution Date shall be made under the VDCP, even if the election to defer was made prior to the Distribution Date, and unless the participant changes his/her investment options for any such deferral, the VDCP shall honor any investment elections that were in effect under the FDCP for such class year and type of compensation to the extent the VDCP has the same investment choices. If a U.S. Visteon Employee had made deferrals under the FDCP prior to the Distribution Date, the book entry account balance of such employee's deferred compensation account in the FDCP, valued as of 5:00 P.M. Eastern Time on June 30, 2000, shall be transferred to the VDCP as of June 30, 2000. The Transferred Account balances may not be immediately available for further transfer to VDCP investment options until account balances have been properly verified by the plan administrators. Visteon shall cause the VDCP to offer a Ford Stock Fund investment option for those Transferred Accounts that had deferrals based on the FDCP Ford Stock Fund as of the Distribution Date, but the VDCP Ford Stock Fund shall be a "sell" only fund, and would not be available for any new deferrals or redesignations into such fund from other funds or for credits based on dividend earnings. Visteon shall assume the liability with respect to the Transferred Accounts and shall be responsible for making any subsequent distributions in the form specified by the participant while employed by Ford from the Transferred Accounts. If Visteon is unable to make distributions from the Transferred Accounts at the end of any applicable deferral period due to insolvency or otherwise, Ford shall make the appropriate distributions. Ford shall have no responsibility with respect to any other VDCP accounts.

### 3.11 NON-U.S. BENEFIT PLANS AND PROGRAMS.

Unless provided otherwise in Schedule 3.11 attached hereto, Global Ford Business Employees who participate in benefit plans and programs sponsored by non-U.S. Subsidiaries or Affiliates of Ford, shall transition to the benefit plans and programs of the non-U.S. subsidiaries of Visteon as of the Benefit Transition Date, except with respect to retirement liabilities as provided in the next sentence. Ford shall retain liabilities for non-U.S. Ford Retirees as of the Benefit Transition Date and Visteon shall

assume liabilities for non-U.S. Visteon Employees with appropriate asset transfers from funded plans. To the extent there are any benefit plans or programs which are unfunded or underfunded, Visteon shall assume the liability for the benefit payments in respect of the non-U.S. Visteon Employees and Ford shall retain the liability for non-U.S. Ford Retirees.

### 3.12 NON-EMBEDDED PLANS.

Notwithstanding anything herein to the contrary, to the extent that Ford has a Subsidiary or Affiliate that maintains pension, savings and or welfare benefit plans separate and apart from the Ford plans, and such Subsidiary or Affiliate becomes a subsidiary or affiliate of Visteon pursuant to the Master Transfer Agreement, the plans of such Subsidiary or Affiliate shall remain the responsibility of such Subsidiary or Affiliate, and no division or allocation of such plans will occur as a result of such transfer on the Transfer Date. After the Distribution Date, Ford shall have no responsibility attributable to a parent corporation with respect to such plans, except as otherwise may be required by law.

In the event that a U.S. Global Visteon Employee has a pension benefit for service prior to the Benefit Transition Date in a pension plan sponsored by Ford or its Subsidiaries or Affiliates that is otherwise not covered under the terms of this Agreement, Ford and Visteon shall agree on the proper treatment of such past service benefit, giving effect to the principles expressed in this Agreement. For purposes of this Agreement, the following persons at Visteon and Ford shall be authorized to provide consent to such arrangements:

Visteon Corporation

Vice President and Treasurer  
Director-Compensation and Benefits

FORD MOTOR COMPANY

Director-Actuarial Studies Department  
Manager-income Security Plans

### 3.13 TRANSFERS FROM FORD TO VISTEON AFTER THE TRANSFER DATE.

Similar arrangements to those described above in Sections 2.03, 2.04, and 2.05 of Article II and all of Article III may apply to employees of Ford non-U.S. locations who transfer from Ford to Visteon employment after the Transfer Date, provided all of the following conditions are met:

- (i) Transfer is with the approval of both Ford and Visteon. In the case of Ford, such approval shall be certified in writing by the Director - Employee Affairs or equivalent position for the employing entity. In giving

approval, the Director, based on the recommendation of the employing activity, shall be satisfied that Ford's interests are not prejudiced as a result of the transfer;

- (ii) The employee will not receive a termination indemnity or any other separation payment as a direct result of the transfer of employment from Ford to Visteon; and
- (iii) Transfer of employment is completed on or before March 31, 2001.

Ford and Visteon may agree to substitute the date in Section 3.13 (iii) above (March 31, 2001) for a later date, but no later than December 31, 2002. For purposes of this Agreement, the following persons at Visteon and Ford shall be authorized to provide consent to the additional locations and later dates:

Visteon Corporation

Vice President and Treasurer  
Director-Compensation and Benefits

Ford Motor Company

Director-Actuarial Studies Department  
Manager-Income Security Programs

3.14 TRANSFER OF CERTAIN VISTEON EMPLOYEES TO FORD AFTER THE DISTRIBUTION DATE.

- a. Definitions. For purposes of this Section, the following terms shall have the following meanings:
  - (i) "Ford Hourly Employee" shall mean a Visteon Transfer Rights Employee who is given the option to return to the Ford hourly employment rolls and elects to return to Ford prior to employment separation from Visteon and is enrolled on the Ford hourly employment rolls upon separation from Visteon.
  - (ii) "Ford-UAW CBA" shall mean the Ford-UAW Collective Bargaining Agreement between Ford and the United Automobile, Aerospace and Agricultural Implement Workers of America, UAW and its affiliated Locals 228, 400, 600, 723, 737, 848, 849, 892, 898, 1111, 1216 and 1895 (collectively, "UAW") and various local agreements by and between Ford and the UAW, as in existence from time to time.
  - (iii) "Visteon Investment Plan" ("VIP") shall mean the defined contribution plan sponsored by Visteon for its salaried employees,

in effect from time to time. It is also sometimes referred to in this Agreement as the Visteon SSIP.

(iv) "Visteon Transfer Rights Employee" shall mean a Visteon Employee who (A) was enrolled on the Ford U.S. hourly payroll at any time prior to the Transfer Date and was covered under the Ford-UAW CBA in existence immediately prior to the Transfer Date; (B) transferred from the Ford hourly employment rolls to the Ford salaried rolls and was a Ford Business Employee on the Transfer Date, (C) pursuant to this Agreement became a Visteon Employee as of the Transfer Date; and (D) was a Visteon Employee enrolled on the salaried employment rolls on the day immediately prior to the Ford Return Date, as defined in Section 3.14 (b) below.

b. Employment Transfer. A Visteon Transfer Rights Employee who is subject to a Reduction in Force may be given the option, at Ford and Visteon's discretion, to return to the Ford hourly rolls at a plant or other location where the employee last had seniority as a Ford hourly employee. If a Visteon Transfer Rights Employee becomes a Ford Hourly employee, such employee shall be treated for all purposes as any other hourly employee covered by the Ford-UAW CBA on the date such employee is enrolled on the Ford hourly employment rolls ("Ford Return Date") and shall be subject to the terms and conditions of the Ford-UAW CBA in all respects, including the entry date seniority into the Unit, as defined in the Ford-UAW CBA.

c. Benefits Transition.

(i) Liability and Asset Transfers from Visteon Mirror GRP to the GRP. Visteon and Ford shall take such steps that are necessary to transfer to the GRP any credited service and benefit accrued under the Visteon Mirror GRP with respect to a Ford Hourly Employee to the date immediately prior to the Ford Return Date to the extent permitted by law provided the GRP and the Visteon Mirror GRP retain their tax-qualified status after the transfer and the GRP is not required to be amended to provide for any additional benefit rights or features not currently contained in the GRP, except as specifically provided in this Section. Ford shall amend the GRP to provide that credited service under the Visteon Mirror GRP with respect to the Ford Hourly Employee shall be treated for all purposes as Ford GRP credited service. Future service shall be accrued under the Ford-UAW Retirement Plan. A Ford Hourly Employee shall not be treated as having a separation from employment for purposes of the Visteon Mirror GRP or the GRP and shall not be entitled to an immediate distribution of plan benefits solely because of the employment transfer.

- (ii) Asset Transfer Valuation. As soon as practicable after the latest of (A) the date on which the PBO Value is determined and verified pursuant to (iii) below, (B) the expiration of thirty days following the filing, if required, of Form 5310 with the IRS and PBGC in respect of the GRP and the Visteon Mirror GRP ("Asset Transfer Date"), Visteon shall cause the trustee of the Visteon Mirror GRP to transfer assets to the GRP in an amount equal to the PBO Value as determined in (iii) below. The assets shall consist of cash or cash equivalents, or marketable securities, and shall include interest from the Ford Return Date until the Asset Transfer Date at the 90 day Treasury Bill rate on a bond equivalent yield in effect on the last business day of the month immediately preceding the Asset Transfer Date, as quoted in the Wall Street Journal.
- (iii) PBO Value. As of a date mutually agreed by Visteon and Ford ("Valuation Date"), in respect of each Ford Hourly Employee then a participant in the Visteon-Mirror GRP, the Visteon Actuary shall measure the projected benefit obligation, as defined in SFAS No. 87, of the liabilities related to the Ford Hourly Employee as of the Ford Return Date ("PBO Value") in accordance with the principles stated below:
- (A) The present value of liabilities will be determined under SFAS No. 87 as the projected benefit obligation, using the actuarial assumptions and methods that are published in the most recent actuarial valuation for accounting purposes adjusted to reflect current condition (e.g. accelerated vesting) not reflected in the most recent valuation for the Visteon Mirror GRP prepared by Towers Perrin; and
- (B) A discount rate as of the Ford Return Date equal to the annual effective yield equivalent to the nominal semi-annual yield published by Moody's Investors Service at [www.Moodys.com](http://www.Moodys.com) for its AA Corporate Bond Index, rounded to the nearest 1/4%, provided such rate is a reasonable proxy for the Ford SFAS 87 discount rate for the GRP in effect as of the Valuation Date. If such rate is not a reasonable proxy as determined solely by Ford, then the Visteon Actuary and the Ford Actuary shall determine an acceptable discount rate no later than thirty days after the Transition Date.

In no event shall the PBO Value as calculated on the basis described above result in an asset transfer less than the amount necessary to reflect the requirements of the provisions of Code Section 411(d) and 414(l) and the Treasury Regulations issued thereunder and the actuarial

methods and assumptions established by the PBGC with respect to spin-offs of pension plans where liabilities, for purposes of Code Section 411(d) and 414(l), are calculated using a discount rate or rates and other assumptions specified by the PBGC and in effect for plans terminating on the Valuation Date. The determination of the PBO Value by the Visteon Actuary shall be submitted to the Ford Actuary for verification but such verification shall relate only to the calculation of the PBO Value on the basis set forth above. If the Visteon Actuary and the Ford Actuary are unable to agree on a verification, Visteon and Ford shall jointly designate a third independent actuary whose verification shall be final and binding. Ford and Visteon shall each pay one-half of the costs of such third actuary.

- (iv) Asset Transfer-Retiree Health Care and Life Insurance Obligations. As of the Asset Section 3.14 Valuation Date in respect of each Ford Hourly Employee who returns to a Ford location rather than remain at a Visteon location as a Ford Hourly Assigned Employee, Visteon shall transfer in cash an amount equal to the Accumulated Postretirement Benefit Obligation (as defined in SFAS 106) ("APBO") and computed using assumptions the same as those provided in subsection (iii) above and using the health care trend rates used in Visteon's most recent valuation for SFAS 106 reporting in respect of Group III Employees and Ford's most recent valuation for SFAS 106 reporting in respect of Group I and II Employees. The transfer shall occur no later than the Asset Transfer Date, and the obligation shall bear interest at the same rate as provide in (ii) above. The calculations shall be subject to verification by the Ford Actuary and the dispute resolution described in (iii) above shall apply as if set forth in full herein.
- (v) VIP to SSIP. Visteon shall notify Ford Hourly Employee who have accounts in the VIP that they may elect to transfer their VIP account balances to the SSIP. Visteon shall take such steps that are necessary to transfer to the SSIP as soon as is reasonably practicable the account balances of such Ford Hourly Employees who make the election to transfer to the SSIP to the extent permitted by law provided the SSIP and VIP retain their tax-qualified status after the transfer and the SSIP is not required to be amended to provide for any additional benefit rights or features not currently contained in the SSIP. On the day of such transfer, the account balances in those investment options that the SSIP does not provide, including without limitation the Visteon Stock Fund shall be transferred to the SSIP Interest Income Fund. Such balance shall be available for subsequent transfer at the discretion

of the Ford Hourly Employee into other SSIP investment options after the transfer date. The Ford Hourly Employee shall be eligible to commence participation in the Ford-UAW Tax-Efficient Savings Plan as of the date such employee becomes a Ford Hourly Employee.

### 3.15 ANNUAL RECONCILIATIONS.

In the event that the Parties discover any material data errors, omissions or misclassifications of employee status that impacts the valuation of the pension obligations and the amount of any pension asset transfer or the valuation of the APBO and the amount of any reimbursement, upon notification and verification, the Parties shall correct the amount of the affected pension asset transfers or APBO reimbursement using the same bases and methods described herein with respect to the original pension asset transfers and APBO reimbursement. The Parties shall take all necessary actions to transfer the benefit liabilities associated with the transferred assets and to retroactively correct the misclassifications of affected employees.

### 3.16 FUTURE BENEFIT CHANGES.

Nothing contained herein shall be construed to prohibit Ford or its Subsidiaries or Affiliates from amending, terminating or otherwise modifying the terms of employee benefit plans or programs applicable to Global Visteon Employees, Ford Retirees or Visteon Retirees, except as may otherwise be provided by applicable law. Except as otherwise specifically provided herein or by applicable law, no Global Visteon Employee, Ford Retiree or Visteon Retiree shall have any vested right to any employee benefit plan or program sponsored by Ford or its Subsidiaries or Affiliates. Except as provided in Sec.3.01(b)(vi), and as may be provided by applicable law, nothing in this Agreement shall prohibit Visteon or its subsidiaries or affiliates from amending, modifying or terminating benefit plans or programs applicable to Global Visteon Employees, Visteon Retirees or any other Visteon retirees or employees.

## ARTICLE IV

### VEHICLE PROGRAMS

#### 4.01 U.S. LEASE AND EVALUATION PROGRAMS.

Except as specifically provided herein, participation of the U.S. Global Visteon Employees in Ford's U.S. Lease and Evaluation Vehicle Program shall be terminated as of the Distribution Date. U.S. Global Visteon Employees who participate in such programs shall be given a reasonable period of time after the Benefit Transition Date not to exceed sixty (60) days or such other time as the Parties mutually agree, to either purchase the vehicles leased or assigned to them or to return them to Ford, or Ford's

agents as provided below ("Vehicle Transition Period'). During the Vehicle Transition Period, Ford shall offer for sale to each lessee and assignee of such vehicles as are presently leased to such lessee or assignee under the terms of Ford's Used vehicle Purchase ("B") Plans, or to continue a lease under the terms of the Ford Credit's Red Carpet Lease Plan, subject to credit evaluation and dealer acceptance. In the event a lessee or assignee of a lease or evaluation vehicle declines to purchase or continue to lease such vehicle within the Vehicle Transition Period, the lessee or assignee shall return such vehicle to its original servicing garage. Visteon shall collect, or shall cause its subsidiaries or affiliates to collect, the applicable lease fee from the Global U.S. Visteon Employees for such lease vehicles during the Vehicle Transition Period. Visteon shall reimburse Ford in cash on a monthly basis, within ten days of the last day of the month, an amount equal to (i) the aggregate amount on the monthly lease fees for lease vehicles owed by U.S. Global Visteon Employees and (ii) the aggregate amount of the monthly evaluation vehicle fees, determined on the same basis as if the evaluation vehicles were lease vehicles, and paid by Visteon. U.S. Ford Retirees shall continue to be eligible to participate in Ford's U.S. Lease and Evaluation Vehicle Programs according to the terms of such programs. Group I and Group II Employees shall be eligible to participate in Ford's U.S. Lease and Evaluation Vehicle Programs, if otherwise eligible under the terms of such Programs, on the same terms as a Ford Retiree upon their retirement from Visteon or its subsidiaries or affiliates.

#### 4.02 NON-U.S. LEASE AND EVALUATION PROGRAMS.

Participation of the Global Visteon Employees in Ford's Non-U.S. Lease and Evaluation Programs shall terminate as of the Distribution Date, or such other date as the Parties may agree. Ford shall cooperate with Visteon in providing appropriate transition services comparable to those described in Section 4.01 with respect to the U.S. Lease and Evaluation Programs.

## 4.03 VEHICLE PURCHASE PLANS.

U.S. Global Visteon Employees shall be permitted to participate in Ford's Vehicle Purchase Plan consisting of the "A Plan" indefinitely. After the Distribution Date, U.S. Global Visteon Employees shall not be eligible to participate in Ford's "B Plan" (except as provided above in Section 4.01). After the Distribution Date, U.S. Global Visteon Employees shall not be eligible to nominate purchasers under the "X-Plan". Ford Retirees shall continue to be eligible to participate in such plans after the Distribution Date according to the terms of such plans.

## 4.04 U.S. SURVIVING SPOUSE CAR PROGRAMS.

Visteon shall not be required to provide a benefit substantially comparable to the U.S. Surviving Spouse Car Program after the Benefit Transition Date. Ford shall have no responsibility to provide a benefit under the U.S. Surviving Spouse Car Program to a spouse of any U.S. Global Visteon Employee who dies after the Distribution Date.

## ARTICLE V

## U.S. WORKERS COMPENSATION

Visteon shall assume all liability for workers' compensation claims, damages, expenses, liabilities or administrative expenses of any kind whatsoever, related to U.S. Ford Business Employees regardless of when filed or reported effective as of the Transfer Date. Visteon shall indemnify and hold Ford harmless in respect of any such claims paid by Ford on Visteon's behalf under any insured or self insured program operated by Ford. Effective on the Distribution Date, and at such time as may be required thereafter, Visteon shall transfer to Ford any reserves established in connection with claims which applicable state workers' compensation laws require Ford to continue to pay on behalf of Visteon. Effective on the Distribution Date, Ford shall transfer to Visteon any reserves established in connection with claims for which Visteon assumes payment responsibility to the extent allowed by state law and to the extent such reserves are not reflected on Visteon's balance sheet. Where transfer of claim liability is prohibited by state law, Ford will continue to pay such claims on Visteon's behalf and shall be reimbursed by Visteon as described herein. Effective on 12:01 a.m. on the Distribution Date, Visteon shall cease to be covered by any of the workers compensation liability insurance policies sponsored by Ford or any self insurance program of Ford applicable to the U.S. Ford Business Employees for injuries or occupational disablements occurring subsequent to the Distribution Date. Visteon shall assume responsibility for its allocable share of future retrospective premium adjustments for periods preceding the Distribution Date. Visteon shall take all steps necessary under applicable law to provide workers compensation coverage on or after the Distribution Date, either through self-insurance where permissible under state law or by the purchase of insurance. Visteon shall notify state and federal regulatory agencies

of the above. Visteon shall cooperate with Ford in obtaining the return or release of all bonds, letters of credit, securities, indemnifications, cash or other assets give by Ford to any state or federal agency in connection with workers compensation self-Insurance with respect to U.S. Ford Business Employees, and to the extent required by any state or federal agency, post its own bonds, letters of credit, indemnifications, securities, cash or other assets in substitution therefor.

#### ARTICLE VI

##### EMPLOYEE LIABILITIES

Effective as of the Transfer Date, and except as otherwise provided under the terms of this Agreement, Visteon will assume, and agrees to perform, the debts, liabilities, guarantees, contingencies and obligations of Ford, whether asserted or unasserted, fixed or contingent, accrued or unaccrued, known or unknown, and howsoever arising, relating to the Global Visteon Employees. Ford shall transfer any funded or unfunded reserves it may maintain with respect to such liabilities, unless such reserves are reflected on the Visteon Balance Sheet.

#### ARTICLE VII

##### INDEMNIFICATION

###### 7.01 VISTEON INDEMNITY.

Visteon shall indemnify Ford against and agrees to hold it harmless from any and all damage, loss, claim, liability and expense (including without limitation, reasonable attorneys' fees and expense in connection with any action, suit or proceeding brought against Ford) incurred or suffered by Ford arising out of (i) breach of any agreement made by Visteon hereunder; (ii) any claim by a Global Visteon Employee (or such employee's dependents or beneficiaries) arising out of or in connection with the operation, administration, funding or termination of any of Visteon's employee benefit plans or programs or the employee benefit plans or programs of a Visteon subsidiary or affiliate, whenever made, including, without limitation, claims made to the PBGC, the DOL, or the IRS; or (iii) employment claims of Global Visteon Employees whenever made based on conditions or actions arising prior to or after the Transfer Date, except as provided in Section 7.02 below (iii).

###### 7.02 FORD INDEMNITY.

Ford shall indemnify Visteon against and agrees to hold it harmless from any and all damage, loss, claim, liability and expense (including without limitation, reasonable attorneys' fees and expenses in connection with any action, suit or proceeding brought against Visteon) incurred or suffered by Visteon (i) arising out of breach of any

agreement made by Ford hereunder; (ii) any claim made by a Global Visteon Employee (or such employee's dependents or beneficiaries) arising out of or in connection with the operation, administration, funding or termination of any of the benefit plans or programs sponsored by Ford (excluding any programs sponsored by Ford subsidiaries that have been transferred to Visteon), whenever made, including, without limitation, claims made to the PBGC, DOL or the IRS; or (iii) employment claims of Global Visteon Employees that arise prior to or after the Transfer Date where the liability, if any, is primarily the result of and arising from conduct of a Ford supervisor or manager not employed by the Business (as opposed to the actions or inaction of Visteon or its subsidiaries or affiliates).

#### 7.03 PROCEDURE FOR INDEMNITY.

The procedure for indemnification under this Section 7 shall be the same procedure as set forth in Section 7(c) through (j) of the Master Transfer Agreement and shall be incorporated herein by reference.

#### 7.04 ASSUMPTION OF LIABILITY.

As of the Transfer Date, Visteon will assume liability and responsibility for all pending employment litigation by Global Ford Business Employees transferred to Visteon pursuant to the terms hereof that relate to the Business, provided, however that Visteon shall not assume any obligation or liability and Ford with respect to the following litigation: Michael Jones et al v. Ford Motor Company filed on June 9, 1993 in U.S. District Court, District of Minnesota, regarding discrimination allegations. With respect to those cases assumed, Visteon will have sole responsibility for deciding how to defend the claims (e.g., whether to settle or litigate).

### ARTICLE VIII

#### MISCELLANEOUS

#### 8.01 DISPUTE RESOLUTION.

If a dispute arises between the Parties relating to this Agreement, the following shall be the sole and exclusive procedure for enforcing the terms hereof and for seeking relief, including but not limited to damages, hereunder; provided, however, that a Party may seek injunctive relief from a court where appropriate solely for the purpose of maintaining the status quo while this procedure is being followed:

- (a) Initial Meeting. The Parties shall hold a meeting of the Governance Council to attempt in good faith to negotiate a mutually satisfactory resolution of the dispute; provided, however, that no Party shall be under any obligation whatsoever to reach, accept or agree to any such resolution; provided further, that no such meeting shall be deemed to vitiate or reduce the obligations and liabilities of the Parties or be deemed a waiver by a Party hereto of any

remedies to which such Party would otherwise be entitled.

- (b) Mediation/Arbitration. If the Parties are unable to negotiate a mutually satisfactory resolution as provided above, any Party may so notify the other. In that event, the Parties agree to participate in good faith in mediation of the dispute. Such mediation shall conclude no later than forty-five (45) days from the date that the mediator is appointed. If the Parties are not successful in resolving the dispute through mediation, then the Parties agree to submit the matter to binding arbitration before a sole arbitrator in accordance with the CPR Rules for Non-Administered Arbitration. Within five business days after the selection of the arbitrator, each Party shall submit its requested relief to the other Party and to the arbitrator with a view toward settling the matter prior to commencement of discovery. If no settlement is reached, then discovery shall proceed. Upon the conclusion of discovery, each Party shall again submit to the arbitrator its requested relief (which may be modified from the initial submission) and the arbitrator shall select only the entire requested relief submitted by one Party or the other, as the arbitrator deems most appropriate. The arbitrator shall not select one Party's requested relief as to certain claims or counterclaims and the other Party's requested relief as to other claims and counterclaims. Rather, the arbitrator must only select one or the other Party's entire requested relief on all of the asserted claims and counterclaims, and the arbitrator will enter a final ruling that adopts in whole such requested relief. The arbitrator will limit the arbitrator's final ruling to selecting the entire requested relief the arbitrator considers the most appropriate from those submitted by the Parties.
- (c) Procedure. Mediation and, if necessary, arbitration shall take place in the City of Dearborn, Michigan unless the Parties agree otherwise or the mediator or the arbitrator selected by the Parties orders otherwise. Punitive or exemplary damages shall not be awarded. This clause is subject to the Federal Arbitration Act, 9 U.S.C.A. Section 1 et seq., or comparable legislation in non-U.S. jurisdictions, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction.

#### 8.02 ASSIGNMENT.

This Agreement has been executed in consideration of the Parties involved and therefore may not be assigned or transferred to a third party without the prior written consent of the other Party. This Agreement will be binding on the agreed successors to or assignees of either Party. In no event will a Party be released from their indemnity obligations without the prior written consent of the other Party.

#### 8.03 ENTIRE AGREEMENT, AMENDMENT, WAIVER.

This Agreement embodies the entire agreement of the Parties and supersedes any other agreements or understandings between them, whether oral or written, relating

to this subject matter. In the event of a conflict between this Agreement and any other agreement between or among any of the Parties with respect to the subject matter hereof, this Agreement shall control. No amendment or modification or waiver of a breach of any term or condition of this Agreement shall be valid unless in a writing signed by each of the Parties. The failure of either Party to enforce, or the delay by either of them in enforcing, any of its respective rights under this Agreement will not be deemed a continuing waiver or a modification of any rights hereunder and either Party may, within the time provided by applicable law and consistent with the provisions of this Agreement, commence appropriate legal proceedings to enforce any or all of its rights.

#### 8.04 NOTICES.

Any notice or other communication hereunder must be given in writing and either (a) delivered in person, (b) transmitted by facsimile transmission or other telecommunications mechanism, (c) sent by a nationally recognized overnight courier service (delivery charges prepaid) or (d) sent by registered or certified mail (postage prepaid, return receipt requested) as follows:

If to Ford:

Ford Motor Company  
Office of the Secretary  
One American Road  
11th Floor World Headquarters  
Dearborn, Michigan 481262798  
Fax: (313)248-7036

If to Visteon:

Visteon Corporation  
One Parklane Boulevard, Ste. 728 East  
Dearborn, Michigan 48126  
Attention: General Counsel  
Fax: (313) 755-2342

All notices personally delivered shall be deemed received on the date of delivery. Any notice sent via facsimile transmission shall be deemed received on date shown on the confirmation advice. Any notice by registered or certified mail shall be deemed to have been given on the date of receipt or refusal thereof. The date of any notice by overnight courier service shall be the date the airbill is signed by the recipient. Any Party may change its address for the receipt of notices by giving Notice thereof to the other.

#### 8.05 PARTIAL INVALIDITY.

Any provision of this Agreement which is found to be invalid or unenforceable by any court in any jurisdiction will, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability, and the invalidity or unenforceability of such provision will not affect the validity or enforceability of the remaining provisions hereof.

8.06 TITLE AND HEADINGS.

Titles and headings of Sections and Subsections of this Agreement are for convenience only and will not affect the construction of any provision of this agreement.

8.07 NEGOTIATED TERMS.

The Parties agree that the terms and conditions of this Agreement are the result of negotiations between the Parties and that this Agreement will not be construed in favor of or against any Party by reason of the extent to which any Party or its professional advisors participated in the preparation of this Agreement.

This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which taken together will constitute one and the same instrument.

8.09 GOVERNING LAWS.

This Agreement is governed by the internal laws of the State of Michigan.

8.10 THIRD PARTY BENEFICIARIES.

This Agreement is for the sole benefit of the Parties hereto and no third party may claim any right, or enforce any obligation of the Parties, hereunder.

8.11 RELATIONSHIP.

Nothing contained in this Agreement will be construed to make any of the Parties partners, principals, agents or employees of the other, except as explicitly provided. None of the Parties will have any right, power or authority, express or implied, to bind any of the other Parties. For purposes of this Agreement, Affiliate means any individual, partnership, corporation, limited liability company, trust, or other entity directly or indirectly, through one or more intermediaries, controlling, controlled by or, under common control with a Party.

8.12 GOOD FAITH AND FAIR DEALING.

In entering into this Agreement, the Parties each acknowledge and agree that all aspects of the relationship among the Parties contemplated by this Agreement, including the performance of all obligations under this Agreement, will be governed by the fundamental principle of good faith and fair dealing.

**8.13 CONSENTS, APPROVALS AND REQUESTS.**

Except as specifically set forth in this Agreement, all consents and approvals to be given by any of the Parties or any of its respective Affiliates under this Agreement will not be unreasonably withheld or delayed.

**8.14 FURTHER ASSURANCES.**

The Parties will execute such further assurances and other documents and instruments and do such further and other things as may be necessary to Implement and carry out the intent of this Agreement.

**8.15. SALE OF VISTEON BUSINESS.**

If Visteon sells all or part of the assets comprising the Business after the Distribution Date, and transfers Global Visteon Employees to a successor employer in connection with the sale of such Business assets, Visteon shall attempt to negotiate in good faith with the successor employer provisions with respect to benefit comparability and pension security no less favorable than those set forth in Section 2.04 and Section 3.01 b.(vi).

In connection with the sale of Visteon's restraints electronics business ("Restraints Business") pursuant to an Asset Purchase Agreement dated April 1, 2002 by and between Visteon and Autoliv, Inc. ("Autoliv"), certain employees engaged in the Restraints Business became employees of Autoliv as of April 1, 2002 ("Restraints Business Employees"). Visteon agreed with Autoliv that Visteon would amend the Visteon Mirror GRP to recognize service with Autoliv of any Restraint Business Employee who was either a Group I or Group II Employee under this Agreement for purposes of vesting, eligibility to participate and eligibility for benefits under the Visteon Mirror GRP (or any successor plan after June 30, 2004). Visteon also agreed that with respect to pay related benefits, the Visteon Mirror GRP would recognize for final average salary purposes any salary paid to a Restraint Business Group I or II Employee to the same extent as if it were Visteon salary. Ford agrees to amend the GRP to recognize Autoliv service of Restraint Business Group I and Group II Employees for purposes of vesting, eligibility to participate and eligibility for benefits under the GRP (but not for purposes of benefit calculation) to the same extent such service would be recognized as Visteon service under this Agreement. For purposes of determining the prorated GRP supplements under Section 3.01(d), service with Autoliv shall be treated as Visteon service. Ford also agrees to amend the GRP to recognize base salaries at Autoliv for purposes of any final average pay calculation under the GRP. Visteon agrees to furnish Ford with the employee data for the Restraint Business Group I and II Employees so that Ford may properly administer the GRP benefits. To the extent Visteon fails to deliver such data within 30 business days of request of Ford, Ford and the GRP shall have no further obligation with respect to the recognition of the Autoliv service or base salary for GRP benefits. Visteon agrees to reimburse Ford for any additional costs resulting from the recognition of Autoliv service and Autoliv base salary

to the extent provided under Section 3.01 (c) as if service with Autoliv was service with Visteon. Nothing herein shall be construed to require Ford or the Ford GRP to recognize service or pay with any other successor employer to the Restraints Business or to any other successor employer of Visteon or any of Visteon's businesses.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement as of the day and year first above written.

FORD MOTOR COMPANY

VISTEON CORPORATION

By: /s/ Don Leclair

By: /s/ Daniel R. Coulson

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Title: Group Vice President & CFO

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Title: Executive Vice President  
and Chief Financial Officer

AGREEMENT GOVERNING THE SEPARATION OF THE FORD VISTEON ORGANISATION

The existing Visteon activities presently owned by Ford in Europe will be transferred into separate legal entities. The legal entities being created are depicted on the attached Organisation Chart Ford Motor Company is contemplating a spin-off of the parent Visteon company and after full spin-off will have no equity in the new parent company or its subsidiaries, and the new parent Visteon company will be incorporated in the US and be publicly traded.

In connection with this transaction and on behalf of the respective national companies. Ford Motor Company and the Ford European Works Council have concluded the following agreement, which will apply to all Visteon activities listed below and being established as independent legal entities in Europe (hereafter collectively referred to as "Newco"). In the event that any of these Newco activities in Europe are transferred outside Newco, then the successor companies will be obliged to adopt this agreement.

SCOPE OF THE AGREEMENT

The following agreement applies to hourly and salaried employees on Visteon payroll below Senior Management (the agreement covers up to and including LLS/SCR) of the current European plants in Berlin, Dueren, Wuelfrath, Belfast, [ILLEGIBLE] Enfield, [ILLEGIBLE] and [ILLEGIBLE] and to the existing Visteon engineering and other staff and hourly support activities in the countries where the above plants are located.

The Visteon activities in Cadiz and Palmela are not affected by this agreement as the operating arrangements and contractual terms and conditions of employment are not altered by the change of ownership to Newco.

EMPLOYMENT CONTRACT

The existing employees of the above-mentioned activities will become employees of Newco. The employees will be transferred to Newco no later than the end of the second quarter 2000.

Accrued seniority and all existing terms and conditions, in particular pension entitlements, will be transferred to the new employment contracts. For the duration of their employment, terms and conditions of existing Ford employees, who transfer to Newco, will mirror Ford conditions (incl. discretionary pension in payment increases) in their respective countries (lifetime protection).

In respect of employee programs, such as car purchase and share purchase plans, comparable programs will be developed and implemented.

Until the full spin-off of Newco, present Ford employees working in Visteon activities will be eligible to volunteer to be reassigned to Ford. The timing of these flow-backs to Ford will be subject to the availability of suitable opportunities within Ford facilities, normal selection criteria, and the need to maintain operations within Newco. If an employee refuses two offers of suitable vacancies in Ford, the flow-back commitment will cease. Ford will commit to implement all flow-backs within a 5-year period from the date of full spin-off.

In addition, existing Ford employees working in Visteon who transfer to Newco at the time of the transfer of assets and liabilities to Newco ("Legal Separation") will have the opportunity to apply for vacancies within Ford which are to be filled externally, and they will be considered against normal Ford selection criteria. Where they are equally suitable, former Ford employees who have transferred to Newco will be given preference over other external candidates, and past Ford and Visteon experience will be taken into account.

Future new hires into Newco after the date of Legal Separation will be employed under terms and conditions decided by Newco, which in the UK will be negotiated collectively as appropriate- and in Germany will be aligned with the respective tariff agreements.

For terms and conditions of employment of existing Ford employees who transfer to Newco at the time of Legal Separation in the U.K. and Germany, Newco will adopt and honour the outcome of the Ford collective agreements in the respective countries.

#### COLLECTIVE AGREEMENTS

All existing Ford collective agreements, in particular Investment and Plant Security Agreements and the Employment Security and Investment Statements (hereafter "Investment Agreements") will be fully adopted by Newco.

Existing apprentice training programs will be continued.

#### EMPLOYEE REPRESENTATION

In Germany, Newco will become a member of the Employers Association of the Metal Industry. Plant and corporate employee representation arrangements will be established according to applicable legal and tariff provisions.

In the United Kingdom:

- current Ford employees who transfer to Newco at the time of Legal Separation will continue to be represented by the existing Ford Procedure and bargaining arrangements for 6 years after Legal Separation. Ford National Bargaining Committees will include management representatives of Newco as appropriate.
- thereafter Newco will establish local and national representation and bargaining arrangements for all Newco employees in the existing UK Ford locations which transfer to Newco at the time of Legal Separation.
- separation of Newco representation arrangements from Ford earlier than provided for in this agreement may take place if it is agreed by all parties that this is mutually beneficial.
- representation in respect of new Newco employees hired following the Legal Separation of Newco from Ford, will be the subject of discussion between Ford, Newco and the appropriate national unions in the UK.

The existing in-plant representation structures and processes in Charleville will continue and are not affected by this agreement.

Newco will establish a new independent European works Council.

## SOURCING

In recognition of the commitment contained within this agreement that Newco will maintain terms and conditions for existing employees who transfer to Newco that mirror Ford conditions for the duration of their employment (lifetime protection), Ford management commits to provide sourcing to Newco in Europe as described within the following Sourcing Agreement:

The following principles apply in respect of the sourcing of Ford business to the afore-mentioned Newco plants and the allocation of work to the Newco engineering, development and other Newco staff and hourly support activities in these countries.

In order to facilitate the business development of the Newco activities named above and based on the Company's intention to transfer existing Ford employees in these facilities to Newco as Newco employees at the date of separation, Ford and Newco management confirm their on-going commitment to these activities and will comply in full with the existing investment Agreements which affect these facilities, and meet the legal responsibilities arising from them.

Specifically, replacement work will be substituted for the B-Car instrument panel and Transit grill that have not been sourced to Visteon in the next product cycle. A decision on substitute work will be made by 30 June 2000.

In addition, management commits to take the necessary steps to provide the opportunity to enhance or develop a viable business situation for these plants and the Newco engineering and other Visteon staff and hourly support activities.

To achieve this and, in particular, to address the concerns regarding plant closures. Ford management commits to provide these facilities with the sourcing for existing Ford products for the life of the present vehicle sourcing cycle plus one further vehicle sourcing cycle (to include CD208 and the replacement for the present Galaxy), and as a minimum for the period committed in the existing investment Agreements. This commitment also includes all current components in Newco plants which will have successor part in C1/CD platform vehicles in the next vehicle sourcing cycle. Minor facelifts will not constitute a new vehicle sourcing cycle.

The "Program Cycle Plan" and "Current Visteon Sourcing Plan" documents attached to the two original master copies of this agreement are part of the agreement.

To support this agreement, Newco recognizes its responsibility to ensure that the Ford products sourced to these facilities must be viable, profitable, reflect technological advances (e.g. electronics, moulding, transmissions, machining etc.) and meet competitive price criteria. Where Newco is not able to immediately match the competitive price on products included in the above, for the future committed product sourcing cycle, it will commit to bid on a competitive basis, at a minimum level of breakeven plus the cost of capital and to make up any remaining competitive price differences in equal increments across the life of the product sourcing. (But in any event in equal increments across a maximum 5 year period). The difference between the competitive price and the Newco price (at a minimum level of breakeven plus the cost of capital) at the date of Legal Separation will be shared equally between Ford and Newco over the 5-year period, in line with the following formula:

- Newco commits to reduce the difference in 5 equal steps of 20%, so that the difference is eliminated at the end of the 5-year period.
- Ford pays for 100% of the difference in the first year, 80% in the second year, 60% in the third year, 40% in the fourth year and 20% of the difference in the fifth year.

The achievement of employment security will ultimately be governed by the level of efficiency and competitiveness achieved in each Newco facility. As today, this will require the on-going cooperation of management, unions, Works Council, employee representatives and employees.

The product cycle plan upon which these commitments are based is clearly subject to change. Where these changes negatively impact the sourcing of Ford product to these Newco facilities, alternative sourcing will be identified by Ford to replace any shortfalls in sourcing based on existing investment and product sourcing cycle plan commitments. However, where sourcing is impacted by market driven changes. Ford will not be required to provide alternative sourcing.

These commitments reflect Ford management's intention in respect of the Newco business units identified above and serve as an underpin to ensure their viability. Where future alternative sourcing opportunities can be generated for these business units, for example from Ford, other OEM's, or other suppliers, such new work may be substituted for existing Ford work sourced to Newco where it makes business sense to do so, provided the spirit and intent of this Agreement is maintained and there is no detriment to the Newco business unit(s) concerned.

Ford and Newco management commit that this agreement will transfer to any successor company.

Newco will be included in future Ford market tests for parts within their product range, and will be considered by Ford. Ford and Newco management and the Ford Sourcing Council will adhere to agreed sourcing procedures and this agreement.

#### FUTURE FORD RESTRUCTURING ACTIONS

This agreement on treatment of employees related to Newco separation from Ford will not set a precedent for any future restructuring actions in Europe.

In the event that it is necessary, within a 5 year period from the date of this agreement, to establish a joint venture or initiate a spin-off involving any of the existing European Ford plants or other facilities the Company commits that the existing Ford employees in the affected location (s) at the time of the joint-venture or spin-off will work in the new business but will remain Ford employees. Normal practices on mobility (transfers and loans) of labour will continue to apply.

Existing employees at the time of the establishment of the new organization may elect to voluntarily transfer their employment to the new organization at any time.

Where both sides agree it is beneficial to make changes to the above arrangements in a particular case, than changes will be made by mutual agreement.

GENERAL

1. The parties to this agreement commit to implementing this agreement at the national level.

A joint working group shall be set up with Ford management and the FEWC Select Committee. This working group shall monitor the implementation of this agreement and shall take a decision in the case of any dispute regarding its interpretation.

2. After Legal Separation, Newco management shall be responsible for adherence to this agreement vis-a-vis the corresponding Newco employee representatives. In the case of disagreements between Newco management and the corresponding employee representatives that arise from different interpretations of this agreement, the procedure described under 1) above may be applied.

3. Where Newco management and employee representatives agree it is beneficial to make changes to the agreement, then changes will be made by mutual consent and after prior concurrence by the working group.

Cologne, 25 January 2000

Signatures:

/s/ JR Walker

/s/ RH Marcin

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JR Walker

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RH Marcin

/s/ DW Thursfield

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DW Thursfield

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NV Scheele

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PJ Pestillo

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JA Nasser

FEWC Members:

Visteon Employee  
Representatives:

SCHEDULE 3.11

NON-US PENSION PLANS

GENERAL

In general, pensions in non-US locations will be dealt with in accordance with the general principles for Ford Business Employees, but recognizing the need to comply with local agreements and with local law and regulation. Specific provisions which apply to the major locations are set out below. In the event of conflict, local agreements and local law take precedence.

1) BRITAIN

- a) As soon as practicable, and in any event no later than 6 months after Distribution Date, Visteon will establish pension plans ("Mirror Plans") which have the same provisions as existing in the Ford pension plans and are capable of accepting a transfer of Guaranteed Minimum Pensions and Protected Rights;
- b) During a participation period which expires on the earlier of (i) 6 months after the Distribution Date or (ii) when the appropriate Mirror Plans were established, Visteon Employees may remain contributing members of the Ford pension plan and will continue to accrue benefits;
- c) Shortly before the Mirror Plans are established, both Ford and Visteon shall, if legally necessary, seek the consent of active Visteon Employees to a transfer of the past service benefits from the Ford pension plans to the Visteon Mirror Plans;
- d) The obligations to be assumed by the Mirror Plans comprise pension accrued under the applicable Ford pension plan, and, in respect of service completed in the future, corresponding benefits for future service;
- e) During the period after the Distribution Date if such employees are accruing benefits in the Ford pension plans, Visteon shall contribute to those plans such contributions as Ford's Actuary advises as, together with employee contributions, meets the cost of accruing benefits (including death in service benefits) and administration costs;
- f) To the extent permitted by and in accordance with applicable law, Ford shall cause to be transferred, from each Ford pension plan, assets that shall equal the present value of the past service obligations (including the effect of assumed future pay increases) assumed by the Mirror Plans, provided that the present value so calculated shall not exceed the share

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of plan assets applicable to the transferring group ("Transfer Value");

- g) The date for valuing the past service obligation referred to above ("Valuation Date") shall be the Distribution Date or a convenient date within 30 days thereof;
- h) The method and assumptions to be used in calculating the present value in f) above shall be those recommended by Ford's Actuary for funding valuations as at March 31, 2000 updated to reflect changes in market conditions between March 31, 2000 and the Valuation Date, unless both sides jointly agree to other assumptions as being at least as fair and equitable;
- i) To recognize the period between the Valuation Date and the physical date of asset transfer, the asset transfer computed as at the Valuation Date shall be increased by any contributions subsequently paid by Visteon on behalf of transferring employees (except that part relating to administration expenses and relating to the cost of death in service benefits) and paid by the employees themselves. The asset transfer shall be reduced by any unpaid contributions referred to in e) above. Interest shall be added on the Transfer Value and to subsequent adjustments at the rate equivalent to the Ford pension plan return up to the start of the calendar month prior to the final asset transfer, and at 30 Day UK Treasury Bill rate on that date and published in the Financial Times for the remaining period;
- j) Visteon recognizes that Ford concluded recent union agreements which included processes potentially leading to pension plan mergers. Visteon shall co-operate with Ford in determining how best to integrate the establishment (including timing) of Mirror Plans with the agreed Ford process concerning the proposed pension plan mergers;
- k) For the duration of their employment with Visteon, terms and conditions of existing Ford employees who transfer to Visteon will mirror Ford conditions (including post retirement discretionary pension in payment increases). Visteon will meet the cost of such discretionary and other changes; and
- l) In respect of new hires, Visteon will develop a plan which shall take due regard to the independence of Ford and Visteon.

2) GERMANY

- a) It is recognized that Ford Business Employees in Germany participate in three pension plans:
  - Foveruka: A Support Fund whose assets include deferred and

immediate annuity contracts with Alte Leipziger insurance company. Foveruka covers hourly employees, employees in SG 1-6 and, with minor exceptions, employees promoted from SG 6 in 1993 or later, and new hires after that date;

- Exempt Statut Plan: An unfunded book reserve plan covering employees in SG 7-11 on December 31, 1992; and
  - Management Statut Plan: An unfunded book reserve covering employees in SG 12 and above on December 31, 1992;
- b) Ford Business Employees who transfer their employment from Ford to Visteon and who, as of the Transfer Date, participate in Foveruka will, with the approval of its Management Board, continue participation in Foveruka;
- c) Ford Business Employees who transfer their employment from Ford to Visteon and who, as of the Transfer Date, participate in the Exempt Statut and Management Statut Plans will continue to participate in the applicable Exempt Statut or Management Statut Plan. Visteon will assume the obligations with respect to the Ford Business Employees who are transferred to Visteon as of the Transfer Date under the applicable Exempt Statut or Management Statut Plan. Visteon will retain the benefit structure as in effect for the Ford book reserve plans;
- d) The obligations that Visteon assumes in respect of the Exempt Statut and Management Statut Plans relate to past service and, to the extent that employees remain in service, future service;
- e) There will be no asset transfer from Ford to Visteon in respect of the transfer of these book reserve plan obligations to Visteon;
- f) In respect of new hires, Visteon will develop a plan which shall take due regard to the independence of Ford and Visteon;
- g) Visteon will make application to the Foveruka to continue participation for both past service and future service of present plan participants. Ford will assist in the application process and does not envision any restriction to participation by Visteon. Ford will support continued participation by Visteon in the Foveruka and will also support continued administration by the Foveruka of the Exempt Statut and Management Statut Pension Plans.
- h) Visteon will meet all costs in respect of their Foveruka and book reserve obligations as described above including the cost of any post-retirement increase to be granted in the future, and potential cost for administration of Visteon's participants in Foveruka, and Foveruka's administration of the

Exempt Statut Plan and Management Statut Plan with respect to Visteon participants

3) FLOW BACKS WITHIN 5 YEARS (BRITAIN AND GERMANY)

- a) In accordance with the provisions of the European Works Council agreement, Ford and Visteon jointly agree that:
- i) Visteon Employees who had been Ford Business Employees who return to Ford without a break in Visteon service within 5 years of the Distribution Date shall be reinstated in the appropriate Ford pension plan;
  - ii) They shall be credited with pensionable service equal to the aggregate of their service with Ford and with Visteon; and
  - iii) Such credited service shall be conditional on
    - Where legally required, the employee giving his/her consent to the appropriate transfer of pension plan assets and obligations
    - Ford receiving the corresponding transfer of assets as described below.
- b) The assets to be transferred from Visteon to Ford shall comprise in respect of each individual:
- i) Britain (Fund to Fund)
    - The pension plan asset relating to pre-Distribution Date service first transferred to Visteon's mirror plans, increased with interest at the rate described in 1i) of this Schedule
    - The actuarial equivalent of the pension accrued in the mirror plan for service after the Distribution Date as determined by Visteon's Actuary but based on assumptions acceptable to Ford as being reasonably consistent with 1h);
  - ii) Germany - Foveruka
    - In respect of pre-Distribution Date service, no compensation is required in excess of the Alte Leipziger asset
    - In respect of post-Distribution Date service, a cash amount shall be paid from Visteon to Ford equal to excess of the liabilities assumed by Ford (computed on a US GAAP ie SFAS 87 basis) over the Foveruka assets; and
  - iii) Germany - Book Reserve
    - In respect of both pre-and post Distribution Date service, a cash amount from Visteon to Ford equal to the liabilities to be assumed by Ford calculated on a US GAAP ie SFAS 87 basis.

## 4) BRAZIL

- a) It is recognized that Ford Business Employees in Brazil participate in a single funded pension plan covering Ford employees and Ford Business Employees;
- b) Until an employee retires, the pension plan operates on a defined contribution basis;
- c) Both Ford and Visteon agree to contribute to the individual accounts of their own employees so there is no subsidy from Ford to Visteon, or Visteon to Ford;
- d) It is recognized that whereas Ford employees' accounts are fully funded, there was a shortfall in the Ford Business Employees' accounts in respect of pre-1995 contribution credits, of R\$12,495,000 as at December 31, 1999. Visteon agrees that it will meet the cost of this shortfall before the affected individuals retire but no later than fifteen years from the Distribution Date;
- e) As soon as practicable, and in any event no later than 9 months after Distribution Date unless the Parties agree otherwise, Visteon will establish a plan which is acceptable to Ford. These proposals shall be reviewed with the local Ford company and, before implementation reviewed by HR and Treasury staff of Ford Motor Company (US). Visteon recognizes that any plan would be designed so that Ford assumes no obligations nor any costs in respect of Visteon participants.
- f) In the event of Visteon establishing its own pension plan, the assets to be transferred to that plan shall comprise:
  - i) For active employees, an amount equal to their account balances to the extent that these are funded;
  - ii) For retirees, the actuarial value based on assumptions acceptable to Ford, of the pensions being transferred; and
- g) While participating in the pension plan, Visteon agrees to meet its share of the plan's administration costs.

## 5) OTHER LOCATIONS (MEXICO, JAPAN, AND FRANCE)

- a) As soon as practicable, and in any event no later than 6 months after Distribution Date, Visteon will prepare proposals for handling the pension arrangements of Ford Business Employees who participate in a Ford pension plan.

- b) These proposals shall be reviewed with the local Ford company and, before implementation reviewed by HR and Treasury staff of Ford Motor Company (US).
- c) Visteon recognizes that any plan would be designed so that Ford assumed no obligations nor any costs in respect of Visteon participants.
- d) Any transfer of assets out of a Ford pension plan would be limited to the actuarial value of past service liabilities similarly transferred, where such liabilities are computed using assumptions consistent with US GAAP.

6) INCENTIVISED EARLY RETIREMENT PROGRAMS (ALL LOCATIONS)

- a) Visteon will meet the cost of such programs in respect of their employees whether these programs occur before or after Distribution Date; and
- b) The pension expense in these programs will be computed as the increase in projected benefit obligation in accordance with the provisions of SFAS 88.

ATTACHMENT A

FORD SALARIED UNIONS APPLICABLE TO FORD BUSINESS EMPLOYEES - UNITED STATES

1. Collective Bargaining Agreement between Ford Motor Company and the UAW Salaried Bargaining Units dated September 15, 1999
2. Collective Bargaining Agreement between Ford Motor Company and Plant Protection Association, National (effective January 29, 1999 - April 30, 2001)

EXHIBIT 10.10.1

Schedule identifying substantially identical agreements, between Visteon Corporation ("Visteon") and each of the persons named below, to the Revised Change in Control Agreement constituting Exhibit 10.10 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2003.

Name

Peter J. Pestillo  
Michael F. Johnston  
Daniel R. Coulson  
James C. Orchard  
Anjan Chatterjee  
Stacy L. Fox  
Robert H. Marcin

VISTEON CORPORATION  
DEFERRED COMPENSATION PLAN  
FOR NON-EMPLOYEE DIRECTORS

## SECTION 1. EFFECTIVE DATE

The Board of Directors of Visteon Corporation have adopted this Deferred Compensation Plan, effective October 11, 2000, for the benefit of the non-employee directors of Visteon Corporation.

## SECTION 2. DEFINITIONS

When used herein the following words and phrases shall have the meanings set forth below unless the context clearly indicates otherwise:

- (a) "Account" means the recordkeeping account maintained by the Company in the name of the Participant. An Account is established for record keeping purposes only and not to reflect the physical segregation of assets on the Participant's behalf, and may consist of such subaccounts or balances as the Committee may determine to be necessary or appropriate, including the following:
1. "Voluntary Deferral Subaccount" means the Visteon Stock Units that are credited to the Participant's Account as a result of the Participant's election to make Voluntary Deferrals.
  2. "Restricted Stock Subaccount" means the Visteon Stock Units that are credited to the Participant's Account as a result of the Participant's election to make Restricted Stock Deferrals.
  3. "Dividend Subaccount" means the Visteon Stock Units that are credited to the Participant's Account as a result of deemed dividends on Visteon Stock Units credited to the Participant's Account.
- (b) "Administrative Committee" means the non-participating members of the Board.

- (c) "Board" means the Board of Directors of the Company.
- (d) "Code" means the Internal Revenue Code of 1986, as interpreted by regulations and rulings issued pursuant thereto, all as amended and in effect from time to time.
- (e) "Company" means Visteon Corporation, or any successor thereto.
- (f) "Company Stock" means the common stock of the Company, par value \$1.00.
- (g) "Exchange" means the New York Stock Exchange.
- (h) "Participant" means each member of the Board who is not a common-law employee of the Company.
- (i) "Plan" means the Visteon Corporation Deferred Compensation Plan for Non-Employee Directors, as amended from time to time.
- (j) "Plan Year" means the period beginning on the effective date of the Plan and ending on December 31, 2000, and thereafter, the twelve month period beginning on January 1 and ending December 31 of each year.
- (k) "Restricted Stock" means Company Stock that is awarded to the Participant under the Restricted Stock Plan or that would have been awarded under such plan but for the Participant's election to make Restricted Stock Deferrals.
- (l) "Restricted Stock Deferrals" means the Visteon Stock Units that are credited to a Participant's Restricted Stock Subaccount as a result of the Participant's election, pursuant to the Restricted Stock Plan, to receive Visteon Stock Units under this Plan in lieu of a grant of Restricted Stock under the Restricted Stock Plan.
- (m) "Restricted Stock Plan" means the Visteon Corporation Restricted Stock Plan for Non-Employee Directors, as amended and in effect from time to time.
- (n) "Visteon Stock Units" mean the hypothetical shares of Company Stock that are credited to a Participant's Account in accordance with Sections 4, 5 and 6.

- (o) "Voluntary Deferrals" mean cash remuneration that would otherwise be paid to a Participant but that, in accordance with the Participant's election, is converted into Visteon Stock Units and credited to the Participant's Voluntary Deferral Subaccount.

SECTION 3. ADMINISTRATION

- (a) General Authority. The Administrative Committee shall have the full power and discretionary authority to: (1) interpret and administer the Plan and any instrument relating to or made under the Plan; (2) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (3) make any other determination, and take any other action, that the Administrative Committee deems necessary or desirable for the administration of the Plan. The decisions and determinations of the Administrative Committee need not be uniform and may be made differently among Participants, and shall be final, binding and conclusive on all interested parties.
- (b) Recordkeeping. The Administrative Committee shall be responsible for maintaining all Accounts; provided that the Administrative Committee may in its discretion appoint or remove a third-party recordkeeper to maintain the Accounts as provided herein.
- (c) Effectiveness of Elections. Any elections or beneficiary designations made under this Plan shall be effective only upon the delivery of the appropriate form to the Secretary of the Company and its acceptance by the Administrative Committee.

SECTION 4. VOLUNTARY DEFERRALS

- (a) Voluntary Deferrals. Each Participant may elect, in such form and manner specified by the Administrative Committee, to defer the receipt of any cash remuneration to be earned with respect to services to be performed as a non-employee member of the Board after the effective date of the election. Such election shall be irrevocable for the Plan Year for which it is made, and shall be

effective on the first day of the Plan Year following its acceptance by the Administrative Committee, provided that a Participant may elect within 30 days of first becoming a Participant to have an election take effect immediately with respect to any compensation that a Participant may receive in the future and as to which the Participant currently has no legal right or claim through the rendering of past services. An election shall continue in effect for subsequent Plan Years unless modified by the Participant in accordance with this Section 4(a). A Participant may modify an existing election effective on the first day of the Plan Year following the date on which the revised election is accepted by the Administrative Committee.

- (b) Conversion to Visteon Stock Units. As of the last day of each month, all Voluntary Deferrals made by or on behalf of a Participant during that month shall be converted, for recordkeeping purposes, into whole and fractional Visteon Stock Units, with fractional units calculated to four decimal places, with the resulting Visteon Stock Units being credited to the Participant's Voluntary Deferral Subaccount. The conversion shall be accomplished by dividing each Participant's Voluntary Deferrals by the average of the high and low prices at which a share of Company Stock shall have been sold regular way on the Exchange on the last day of such month on which the Exchange is open to transact trades.
- (c) Vesting. Each Participant shall at all times be 100% vested in his or her Voluntary Deferral Subaccount.

SECTION 5. RESTRICTED STOCK DEFERRALS

- (a) Restricted Stock Deferrals. The Restricted Stock Subaccount of a Participant who has made and has in effect an election to make Restricted Stock Deferrals shall be credited with a number of Visteon Stock Units equal to the number of shares of Restricted Stock that would otherwise have been issued to the Participant under the Restricted Stock Plan.

- (b) Vesting. A Restricted Stock Subaccount shall be subject to the same vesting standards as would have applied under the Restricted Stock Plan had the Participant elected to receive Restricted Stock under that plan rather than Visteon Stock Units under this Plan.

SECTION 6. DIVIDEND EQUIVALENTS

- (a) Conversion to Visteon Stock Units. Any cash dividends that would have been payable in any month on the Visteon Stock Units credited to a Participant's Account had such units been actual shares of Company Stock shall be converted, for recordkeeping purposes, into whole and fractional Visteon Stock Units, with fractional units calculated to four decimal places, with the resulting Visteon Stock Units credited to the Participant's Dividend subaccount. The conversion shall be accomplished by dividing the Participant's deemed dividends for the month by the average of the high and low prices at which a share of Common Stock shall have been sold regular way on the Exchange on the last day of such month on which the Exchange is open to transact trades.
- (b) Vesting. Each Participant shall at all times be 100% vested in his or her Dividend Subaccount.

SECTION 7. DISTRIBUTIONS

- (a) Distribution Election. Distribution of a Participant's vested Account shall be made or commence to be made on or about January 15 of the calendar year following the calendar year in which the Participant terminates service as a non-employee director of the Company in the form or forms of distribution elected by the Participant. The Participant may elect to have a distribution made either in (i) a single sum, or (ii) ten (10) annual installments. Such election shall be irrevocable with respect to deferrals (and dividends thereon) for the Plan Year for which it is made, and shall be effective on the first day of the Plan Year following its acceptance by the Administrative Committee, provided that a Participant may elect within 30 days of first becoming a Participant to have an election take effect

immediately with respect to any compensation that the Participant has elected to defer. An election shall continue in effect for amounts deferred in subsequent Plan Years (and dividends thereon) unless modified by the Participant in accordance with this Section 7. A Participant may modify an existing election effective on the first day of the Plan Year following the date on which the revised election is accepted by the Administrative Committee, and such revised election shall apply to amounts deferred after the effective date of such election. A Participant who fails to make any distribution election shall be deemed to have elected the single sum payment option.

1. Single Sum Distribution. If the Participant has elected the single sum distribution option, the Company, in accordance with directions from the Administrative Committee, will distribute to the Participant shares of Company Stock equal to the number of Visteon Stock Units credited to the Participant's Account (and cash in lieu of any fractional unit) for which such election is in effect; provided that the Administrative Committee may direct that all or any part of the Participant's distribution be satisfied in cash rather than by a distribution of Company Stock, in which case the cash payment shall be determined by multiplying the number of Visteon Stock Units in the Participant's Account that are the subject of the cash payment by the average of the high and low prices at which a share of Company Stock shall have been sold regular way on the Exchange on the 5th trading day preceding the date on which distribution is made.
  
2. Installment Distributions. If the Participant has elected the installment distribution option, the first installment will be paid on or about January 15 of the calendar year following the calendar year in which the Participant terminates service as a non-employee member of the Board, and each subsequent installment will be paid on or about January 15 of each succeeding year during the installment period. The annual installment distribution amount for any year shall be initially determined on a share basis by dividing the number of Visteon Stock Units credited to

the Participant's Account as of January 1 of the year for which the distribution is being made and for which such an election is in effect by the number of installment payments remaining to be made, and then rounding the quotient obtained for all but the final installment to the next lowest whole number. The Company, in accordance with directions from the Administrative Committee, will distribute to the Participant shares of Company Stock equal to the number of Visteon Stock Units that are being redeemed as part of the installment (and cash in lieu of any fractional unit); provided that the Administrative Committee may direct that all or any part of the installment distribution be satisfied in cash rather than by a distribution of Visteon Stock, in which case the cash payment shall be determined by multiplying the number of Visteon Stock Units in the Participant's Account that are the subject of the cash payment by the average of the high and low prices at which a share of Company Stock shall have been sold regular way on the Exchange on the 5th trading day preceding the date on which distribution is made.

- (b) Securities Restrictions. With respect to any shares of Company Stock distributed to a Participant, the Participant will not sell or otherwise dispose of such Company Stock except pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Act") and applicable state securities laws, which the Company may but shall not be required to file, or in a transaction which, in the opinion of counsel for the Company, is exempt from such registration, and a legend may be placed on the certificates for the Company Stock to such effect. In addition, in the event of any underwritten public offering of the Company's securities pursuant to an effective registration statement filed under the Act and upon the request of the Company or the underwriters managing any underwritten offering of the Company's securities, the Participant shall not directly or indirectly sell, make any short sale of, loan, hypothecate, pledge, offer, grant or sell any option or other contract for the purchase of, or otherwise dispose of or transfer, or agree to engage in any of the foregoing transactions with respect to, any shares of Company Stock (other than those included in the registration)

acquired under this Plan without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed 180 days) from the effective date of such registration as may be requested by the Company or such managing underwriters.

SECTION 8. BENEFICIARY

- (a) Death Benefits. If a Participant dies before his or her entire Account has been distributed, then the remainder of the Participant's Account shall be distributed in a lump sum to the Participant's beneficiary as soon as practicable following the date of the Participant's death.
- (b) Designation of Beneficiary. Each Participant may designate one or more beneficiaries in such form and manner specified by the Administrative Committee, which beneficiary shall be entitled to receive the balance of the Participant's Account as provided under subsection (a) in the event of the Participant's death. The Participant may from time to time revoke or change the beneficiary without the consent of any prior beneficiary by filing a new designation with the Secretary of the Company. The last such designation received by the Secretary of the Company shall be controlling. If no beneficiary designation is in effect at the time the Participant dies, or if no designated beneficiary survives the Participant, the Participant's beneficiary shall be the Participant's estate.

SECTION 9. SOURCE OF BENEFITS

Benefits accumulated under the Plan shall constitute an unfunded, unsecured promise by the Company to provide such payments in the future, as and to the extent such amounts become payable. Benefits attributable to service as a non-employee member of the Board shall be paid from the general assets of the Company, and no person shall, by virtue of this Plan, have any interest in such assets, other than as an unsecured creditor of the Company.

SECTION 10. NON-ALIENATION

Except as otherwise expressly provided by this Plan, neither the Participant nor his or her beneficiary or beneficiaries, including, without limitation, the Participant's executors and administrators, heirs, legatees, distributees, and any other person or persons claiming any benefits through the Participant under this Plan shall have any right to assign, transfer, pledge, hypothecate, sell, transfer, alienate and encumber or otherwise convey the right to receive any benefits hereunder, which benefits and the rights thereto are expressly declared to be nontransferable. The right to receive benefits under this Plan also shall not be subject to execution, attachment, garnishment, or similar legal, equitable or other process for the benefit of the Participant's or beneficiary's creditors. Any attempted assignment, transfer, pledge hypothecation or other disposition of the Participant's or beneficiary's rights to receive benefits under this Plan or the levy of any attachment, garnishment or similar process thereupon, shall be null and void and without effect.

SECTION 11. CHANGE IN CONTROL

In the event of a Change in Control of the Company, a Participant's Account shall be fully vested, notwithstanding any vesting schedule that would otherwise be applicable, and the value of the Participant's Account, determined as of the date of the Change in Control, shall be immediately paid to the Participant in a single sum cash payment, notwithstanding any prior distribution election made by the Participant. For purposes of this Section 11, the term "Change in Control" has the same meaning as in the Visteon Corporation Restricted Stock Plan for Non-Employee Directors.

SECTION 12. DURATION OF PLAN

Unless terminated earlier pursuant to Section 13, this Plan shall remain in effect during the term of service of the Participants and until the Account of each Participant has been distributed as provided herein.

SECTION 13. AMENDMENT AND TERMINATION

The Board reserves the right to amend or terminate this Plan at any time; provided that the authority of the Administrative Committee to administer the Plan shall extend beyond the date of the Plan's termination; and provided further that no amendment or termination of the Plan shall adversely affect the rights of any Participant or beneficiary to benefits then accrued without the written consent of the affected Participant or beneficiary.

SECTION 14. MISCELLANEOUS

- (a) **Governing Law.** This Plan shall be governed by and construed in accordance with the internal laws of the State of Delaware, without reference to conflict of law principles thereof.
- (b) **Severability.** If any provision of the Plan is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or as to any person, or under any law deemed applicable by the Administrative Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Administrative Committee, materially altering the intent of the Plan, such provision shall be stricken as to such jurisdiction or person, and the remainder of the Plan shall remain in full force and effect.
- (c) **Successors and Assigns.** The Plan shall be binding upon, and inure to the benefit of, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Company's assets and business.

VISTEON CORPORATION  
RESTRICTED STOCK PLAN

FOR NON-EMPLOYEE DIRECTORS

(Amended as of December 10, 2003)

SECTION 1. PURPOSE AND EFFECTIVE DATE

The Visteon Corporation Restricted Stock Plan for Non-Employee Directors has been established to align the interests of the non-employee members of the Board of Directors of Visteon Corporation (the "Company") with those of the Company's stockholders by providing equity incentives that will motivate the non-employee members of the Board of Directors to achieve long-range goals, thereby promoting the long-term financial interest of Visteon Corporation, including the growth in value of the Company's equity and enhancement of long-term stockholder return. The Plan is effective as of September 14, 2000.

SECTION 2. DEFINITIONS

- (a) "Act" means the Securities Act of 1933, as amended.
- (b) "Administrative Committee" means the non-participating members of the Board.
- (c) "Affiliate" or "Affiliates" means affiliate as defined in Rule 12b-2 promulgated under Section 12 of the Exchange Act.
- (d) "Annual Meeting Date" means the date each year on which occurs the annual meeting of the Company's stockholders.
- (e) "Beneficial Owner" means beneficial owner as defined in Rule 13d-3 under the Exchange Act.
- (f) "Board" means the Board of Directors of the Company.
- (g) "Change in Control" means the occurrence of any one of the following events:

- i. any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates) representing 40% or more of the combined voting power of the Company's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (A) of paragraph (iii) below;
- ii. within any twelve (12) month period, the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the effective date of this Plan, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended;
- iii. there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (A) a merger or consolidation which results in the directors of the Company immediately prior to such merger or consolidation continuing to constitute at least a majority of the board of directors of the Company, the surviving entity or any parent thereof or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates) representing 40% or

more of the combined voting power of the Company's then outstanding securities;

- iv. the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of more than 50% of the Company's assets, other than a sale or disposition by the Company of more than 50% of the Company's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale; or
- v. any other event that the Administrative Committee, in its sole discretion, determines to be a Change in Control for purposes of this Plan.

Notwithstanding the foregoing, a "Change in Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the common stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions.

- (h) "Company" means Visteon Corporation, or any successor thereto.
- (i) "Date of Grant" means the date a Plan Award is granted to a Participant.
- (j) "Deferred Compensation Plan" means the Visteon Corporation Deferred Compensation Plan for Non-Employee Directors, as amended and in effect from time to time.
- (k) "Disability" means unable to engage in any substantially gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

- (l) "Exchange Act" means the Securities Exchange Act of 1934, as amended.
- (m) "Participant" means each member of the Board who is not a common-law employee of the Company or an Affiliate.
- (n) "Person" means person as defined in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include: (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of Company stock.
- (o) "Plan" means this Visteon Corporation Restricted Stock Plan for Non-Employee Directors, as amended and in effect from time to time.
- (p) "Plan Awards" means awards of Restricted Shares and Visteon Stock Units.
- (q) "Restricted Shares" means Shares issued to a Participant but that are subject to the restrictions set forth in Section 6 of the Plan.
- (r) "Shares" means shares of the Company's common stock, par value \$1.00 per share.
- (s) "Visteon Stock Units" means hypothetical shares of the Company's common stock, par value \$1.00 per share, that are credited to a Participant's account under the Deferred Compensation Plan.

SECTION 3. ADMINISTRATION BY THE ADMINISTRATIVE COMMITTEE

While the Plan is intended to be generally self-administering, the Administrative Committee shall have the full power and discretionary authority to: (a) interpret and administer the Plan and any instrument or award agreement relating to or made under the Plan; (b) establish, amend, suspend or waive such rules and regulations and appoint such

agents as it shall deem appropriate for the proper administration of the Plan; and (c) make any other determination, and take any other action, that the Administrative Committee deems necessary or desirable for the administration of the Plan. The decisions and determinations of the Administrative Committee need not be uniform and may be made differently among Participants, and shall be final, binding and conclusive on all interested parties.

SECTION 4. PLAN AWARDS

Subject to the restrictions set forth in Section 6 below, Participants shall automatically receive the following grants:

- (a) On the date this Plan is approved by the Board, each Participant shall receive a grant of 3,000 Restricted Shares, which grant shall be effected within 30 days of the date of Board approval.
- (b) On the date of each annual meeting of the Company's stockholders, each Participant, including a newly-elected non-employee member of the Board whose election to the Board coincides with the Annual Meeting Date, shall receive either a grant of 3,000 Restricted Shares or a credit of 3,000 Visteon Stock Units, as elected by the Participant in accordance with Section 5.

The Board may make additional Plan Awards, in such amount as the Board may determine, to a newly-appointed Participant whose appointment to the Board does not coincide with the Annual Meeting Date; provided that any such Plan Award shall be made by the Board without the participation of the affected Board member.

Each Plan Award shall be evidenced by a written award agreement between the Company and Participant, in such form as is determined by the Administrative Committee.

SECTION 5. PARTICIPANT ELECTIONS

- (a) A Participant may elect, in such form and manner as the Administrative Committee may prescribe, whether to receive grants pursuant to Subsection (b) of

Section 4 in the form of Restricted Shares or in the form of Visteon Stock Units; provided, that if the Participant fails to make an effective election, or if at any Date of Grant the Participant does not have a valid election in effect, grants under Subsection (b) of Section 4 shall be made in the form of Restricted Shares.

- (b) A validly executed election shall become effective with respect to grants made on Annual Meeting Dates that occur after the date on which the Participant's election is received and accepted by the Administrative Committee, or as soon thereafter as practicable. A Participant's election, once effective, shall remain in effect until modified by the Participant in accordance with subsection (c) below.
- (c) A Participant may modify his or her then current election by filing a revised election form, properly completed and signed, with the Administrative Committee. A validly executed revised election will be effective with respect to grants made on Annual Meeting Dates that occur after the date on which the Participant's revised election is received and accepted by the Administrative Committee, or as soon thereafter as practicable. A Participant's revised election, once effective, shall remain in effect until again modified by the Participant under this subsection (c).
- (d) A Participant who has elected to receive Visteon Stock Units and who is otherwise eligible for a Plan Award shall receive the requisite number of Visteon Stock Units as a credit to the Participant's account under the Deferred Compensation Plan. Although credited under the Deferred Compensation Plan, the Participant's right to receive a Deferred Compensation Plan benefit based on such Visteon Stock Units shall be subject to the vesting provisions set forth in subsections (b) and (c) of Section 6 below. In all other respects, the Participant's interest with respect to the Visteon Stock Units shall be governed by the terms and conditions of the Deferred Compensation Plan.

SECTION 6. RESTRICTIONS

- (a) Restricted Shares may not be transferred or otherwise alienated or hypothecated prior to the date on which the Participant becomes vested in such Restricted

Shares. Subject to Section 7, the Participant may transfer or otherwise alienate or hypothecate Restricted Shares in which the Participant is vested.

- (b) A Participant shall obtain a vested interest with respect to a Plan Award, based upon the period of continuous service from the Date of Grant of such Plan Award to the date on which the Participant terminates service as a member of the Board ("Period of Service"), as determined in accordance with the following schedule:

| Period of Service<br>-----       | Vested Percentage of Plan Award<br>----- |
|----------------------------------|--|
| Less Than 1 Year                 | 0  |
| At Least 1 But Less Than 2 Years | 33 1/3                                   |
| At Least 2 But Less Than 3 Years | 66 2/3                                   |
| At Least 3 Years                 | 100                                      |

If the foregoing vesting schedule results in the Participant being vested in a number of Restricted Shares that is not an integer, the Participant's vested interest shall be rounded up to the next whole number. Any Restricted Shares that are not vested on the date on which the Participant terminates service as a member of the Board shall be forfeited.

- (c) A Participant, even if not fully vested in accordance with subsection (b) above, shall be fully vested with respect to a Plan Award in the event of a Change in Control or if the Participant's Period of Service is terminated as a result of the Participant's death or Disability.

SECTION 7. CERTIFICATE LEGEND; TRANSFER AFTER LAPSE OF RESTRICTIONS

- (a) In addition to any legends placed on certificates for Shares under Subsection (b) hereof, each certificate for Restricted Shares shall bear the following legend:

"The sale or other transfer of the shares of stock represented by this certificate, whether voluntarily or by operation of law, is subject to certain restrictions set forth in the Visteon Corporation Restricted Stock Plan for Non-Employee

Directors and an Award Agreement between Visteon Corporation and the registered owner hereof. A copy of such Plan and Agreement may be obtained from the Secretary of Visteon Corporation."

- (b) Except as otherwise provided herein, after the lapse of the restrictions described in Section 6, the Restricted Shares shall thereafter be freely transferable by the Participant and new certificates for the Shares without the legend described in Subsection (a) above shall be issued to the Participant upon his or her request. Notwithstanding the foregoing, the Participant agrees and acknowledges with respect to the Shares that: (i) the Participant will not sell or otherwise dispose of such Shares except pursuant to an effective registration statement under the Act and any applicable state securities laws, which the Company may but shall not be required to file, or in a transaction which, in the opinion of counsel for the Company, is exempt from such registration, and (ii) a legend may be placed on the certificates for the Shares to such effect.
- (c) Notwithstanding anything herein to the contrary, in the event of any underwritten public offering of the Company's securities pursuant to an effective registration statement filed under the Act and upon the request of the Company or the underwriters managing any underwritten offering of the Company's securities, the Participant shall not directly or indirectly sell, make any short sale of, loan, hypothecate, pledge, offer, grant or sell any option or other contract for the purchase of, or otherwise dispose of or transfer, or agree to engage in any of the foregoing transactions with respect to, any Shares (other than those included in the registration) acquired under this Plan without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed 180 days) from the effective date of such registration as may be requested by the Company or such managing underwriters.

SECTION 8. BENEFICIARY

Each Participant may designate one or more beneficiaries who shall be entitled to receive the Restricted Shares in the event the Participant dies while a member of the Board. The

Participant may from time to time revoke or change the beneficiary without the consent of any prior beneficiary by filing a new designation with the Secretary of the Company. The last such designation received by the Secretary of the Company shall be controlling. If no beneficiary designation is in effect at the time the Participant dies, or if no designated beneficiary survives the Participant, the Participant's Restricted Shares shall be transferred to the Participant's estate.

If the Participant dies after ceasing to be a member of the Board, any non-forfeited Shares held by the Participant shall be transferred to the Participant's estate.

SECTION 9. VOTING RIGHTS; DIVIDENDS AND OTHER DISTRIBUTIONS

During the restriction period described in Section 6 hereof, the Participant shall be entitled to exercise full voting rights with respect to the Restricted Shares and shall be entitled to receive all dividends and other distributions paid with respect to such Restricted Shares. If any such dividends or distributions are paid in shares of the Company's common stock, such shares shall be subject to the same restrictions as the Restricted Shares with respect to which they were paid.

SECTION 10. ADJUSTMENTS

In the event that the Administrative Committee shall determine that any dividend or other distribution (whether in the form of cash, stock, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of stock or other securities of the Company, issuance of warrants or other rights to purchase stock or other securities of the Company, or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Administrative Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Administrative Committee may, in such manner as it may deem equitable, adjust any or all of: (a) the number and type of Shares subject to the Plan and which thereafter may be made the subject of awards under the Plan, and (b) the number and type of Shares subject to outstanding awards.

SECTION 11. TERM, AMENDMENT AND TERMINATION

- (a) Unless terminated earlier pursuant to subsection (b) below, the Plan shall terminate on May 9, 2011.
- (b) The Board reserves the right to amend or terminate this Plan, or amend any award agreement, at any time; provided that the authority of the Administrative Committee to administer the Plan and the Board to amend any award agreement shall extend beyond the date of the Plan's termination.
- (c) No amendment or termination of the Plan, and no amendment of any award agreement, shall adversely affect the rights of any Participant with respect to any Restricted Shares then outstanding without the written consent of the Participant.

SECTION 12. MISCELLANEOUS

- (a) The granting of awards of Restricted Shares under the Plan and the issuance of Shares in connection therewith shall be subject to all applicable laws, rules and

regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

- (b) This Plan shall be governed by and construed in accordance with the internal laws of the State of Delaware, without reference to conflict of law principles thereof.
- (c) If any provision of the Plan or any award agreement or any award of Restricted Shares is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction, or as to any person or award, or would disqualify the Plan, any award agreement or any award under any law deemed applicable by the Administrative Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Administrative Committee, materially altering the intent of the Plan, any award agreement or the award, such provision shall be stricken as to such jurisdiction, person or award, and the remainder of the Plan, any such award agreement and any such award shall remain in full force and effect.
- (d) The Plan shall be binding upon, and inure to the benefit, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Company's assets and business.

## HOURLY EMPLOYEE CONVERSION AGREEMENT

This Agreement relating to certain employment and labor matters and employee benefit plans ("Hourly Employee Conversion Agreement") dated effective as of December 22, 2003 is made and entered into by and among Visteon Corporation, a Delaware corporation ("Visteon") and Ford Motor Company, a Delaware corporation ("Ford").

## RECITALS

1. Visteon employs directly approximately 584 U.S. hourly employees ("Visteon Employees") who are engaged in the business of manufacturing and assembling automotive parts and services ("Visteon Business").
2. The Visteon Employees are represented by the International Union, United Automobile Aerospace and Agricultural Implement Workers of America, UAW and its affiliated Locals 228, 400, 600, 723, 737, 845, 849, 892, 898, 1111, 1216, and 1895 (collectively, "UAW" or the "Union") and are covered under the terms and conditions of the Visteon-UAW Collective Bargaining Agreement dated June 29, 2000, and any extensions or successor agreements and various local agreements by and between Visteon and the UAW ("Visteon CBA").
3. Pursuant to the terms of a Memorandum of Understanding dated as of September 15, 2003 by and between the UAW, Ford and Visteon, the Parties thereto agreed that all Visteon Employees hired during the term of the 1999-2003 UAW-Ford Collective Bargaining Agreement would be deemed to be "Ford Employees" and would be covered in all respects by successive UAW-Ford National Agreements so long as they remain Ford Employees and during their retirement.
4. Accordingly, the Parties desire that Visteon transfer to Ford the Visteon Employees as of the Transition Date as hereafter defined and the Transferred Employees shall become immediately subject to the terms and conditions of the collective bargaining agreement effective as of September 15, 2003 by and between Ford and the UAW ("Ford CBA").
5. Pursuant to the terms of the Amended and Restated Hourly Employee Assignment Agreement dated as of April 1, 2000 by and between Visteon and Ford, and as such agreement may be further amended ("Assignment Agreement"), the Visteon Employees will be assigned to work in the Visteon Business unless otherwise deployed by Ford. If assigned to Visteon, Transferred Employees will be considered "Ford Assigned Employees" as defined in the Assignment Agreement or as defined in any amendments, whether now or in the future, to such Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, receipt of which is hereby acknowledged, the Parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Unless otherwise defined herein, the capitalized terms used herein shall have the following meanings:

- 1.01 "EMPLOYEE CENSUS" shall mean the employee census described in Section 2.01.
- 1.02 "GOVERNANCE COUNCIL" shall mean the governance council established pursuant to Section 6 of the Relationship Agreement between Ford and Visteon to be dated subsequent to the date of this Agreement, or if not executed, the Governance Council shall mean those persons with decision-making authority regarding the dispute.
- 1.03 "INSURANCE CONVERSION DATE" shall mean January 1, 2004, at 12:01 a.m.
- 1.04 "TRANSFERRED EMPLOYEES" SHALL MEAN
  - (i) Active Visteon Employees as defined in Section 1.06(i) who are transferred to Ford pursuant to the terms hereof and who are at work on the day immediately prior to the Transition Date including those on contractual paid time off (i.e., Jury Duty Pay, Bereavement Pay, Short Term Military Pay, Vacation Pay and Paid Holiday);
  - (ii) Inactive Visteon Employees as defined in Section 1.06(ii) who are transferred pursuant to the terms hereof, whether or not they return to active employment;
  - (iii) Visteon Employees who have a break in seniority but who are subsequently restored to seniority, with or without filing a grievance, shall be included as a Transferred Employee on the date such seniority is restored, and the Insurance Conversion Date shall be the first of the month following the date seniority is restored; and
- 1.05 "TRANSITION DATE" shall mean December 22, 2003, or such other time as provided under the terms of this Agreement with respect to an individual employee.

1.06 "VISTEON EMPLOYEES" SHALL MEAN

- (i) U.S. persons represented by the Union, who have seniority status under the Visteon CBA as of the day immediately prior to the Transition Date, who are full-time employees, and who are actively at work at Visteon on the day immediately prior to the Transition Date including those on contractual paid time off with reinstatement rights (i.e., Jury Duty Pay, Bereavement Pay, Short Term Military Pay, Vacation, Paid Holiday), and those on reduced or alternate work schedules ("Active Visteon Employees"); and
- (ii) U.S. persons represented by the Union on full time status who are not at work at Visteon the day immediately prior to the Transition Date but who have retained seniority status under the Visteon CBA and who, under the terms of the Visteon CBA, are entitled to reinstatement on return to employment, including those on leave of absence, layoff status, workers' compensation leave or long term disability leave ("Inactive Visteon Employees"). For avoidance of doubt, Inactive Visteon Employees shall not include Visteon employees without reinstatement rights such as former Visteon employees who have terminated service by quit, death or probationary layoff.

ARTICLE II

EMPLOYMENT RESPONSIBILITY

2.01 EMPLOYEE CENSUS.

An employee census is attached as Schedule 2.01 ("Employee Census"). The Employee Census sets forth:

- (i) a list of all Active Visteon Employees by name and social security number;
- (ii) a list of all Inactive Visteon Employees by name and social security number;
- (iii) the job classification of each Visteon Active or Inactive Employee;
- (iv) the Visteon Service Date of each Visteon Active or Inactive Employee;
- (v) the wage rate applicable to each Visteon Active or Inactive Employee; and
- (vi) the reason for any absence of any Visteon Inactive Employee and the date any leave expires.

Visteon shall revise the Employee Census as of the Transition Date to reflect any applicable changes. The revised Employee Census shall be delivered to Ford within ten days of the Transition Date.

2.02 EMPLOYMENT TRANSFER AND TERMS OF EMPLOYMENT.

Visteon shall transfer the employment of Visteon Employees to Ford effective as of the Transition Date and such employees shall become Transferred Employees effective on the Transition Date. On such date, the Transferred Employees shall be subject to the terms and conditions of the Ford CBA.

2.03 SENIORITY.

Ford shall recognize Visteon seniority under the Visteon CBA earned as of the Transition Date as if such seniority were seniority under the Ford CBA. Ford shall recognize Visteon service for all purposes under the Ford- UAW benefit plans as if such service were Ford service, assuming Ford receives appropriate benefit asset transfers from Visteon as described in Article III.

2.04 TRANSPARENCY.

Except as otherwise provided in this Agreement, for all purposes under the Ford CBA, Ford shall recognize the Transferred Employee's employment history at Visteon, including, but not limited to attendance, discipline, vacation records and all other types of employment records or transactions with respect to a Transferred Employee, as if the Transferred Employee had been covered under the Ford CBA since the date of hire at Visteon.

2.05 GRIEVANCES.

All unresolved grievances pertaining to Visteon Employees as of the Transition Date shall be processed to conclusion under the terms of the Visteon CBA. Ford and Visteon shall consult with each other concerning cases that may establish precedents with respect to the interpretation of each other's collective bargaining agreements. A former Visteon employee who filed a grievance over a discharge prior to the Transition Date and who is ultimately reinstated to work pursuant to the Visteon grievance procedure after the Transition Date shall be reinstated as a Transferred Employee. The Insurance Conversion Date for such an employee shall be the first day of the month following the reinstatement date. While the grievance is pending, Visteon shall retain full responsibility for such former Visteon employee for all purposes to the extent provided in the Visteon CBA.

2.06 JOINT PROGRAMS.

Any local training fund balances accrued under the Visteon CBA as of the Transition Date shall continue to be used for the employees of the plant, regardless of whether they are Transferred Employees, employees of Ford assigned to Visteon under the Assignment Agreement or employees hired by Visteon after the Transition Date (to

the extent permitted under any applicable CBA), as agreed by the UAW-Ford NEDTEC Joint Governing Body.

2.07 EMPLOYMENT AND MEDICAL RECORDS.

- (a) EMPLOYMENT RECORDS. Visteon shall transfer to Ford any employment records of any kind related to the Transferred Employees as soon as practicable after the Transition Date. To the extent that any state law requires employee consent to such transfer, the Parties shall use their respective best efforts to obtain employee consent to such transfer. Employee records shall remain in the physical custody of the appropriate Visteon hourly labor supervisors at the plants where the Visteon Employees are assigned to work as of the Transition Date. In the event a Transferred Employee is reassigned to a non-Visteon location, Visteon shall cause the employment records to be transferred to the receiving location as soon as practicable following the reassignment.
- (b) MEDICAL RECORDS. For purposes of this Section (b), a "medical record" shall include, but is not limited to, reports, histories and physicals, progress notes, and other patient information (e.g., x-rays and x-ray readings, medical surveillance examinations, laboratory reports, operative reports, consultations, etc.). The medical record may be maintained in hard copy and/or on computerized systems.

Visteon confirms that all Visteon Employees received a post-offer preplacement health assessment prior to hire at Visteon and that the assessment, the equivalent of a Ford post-offer preplacement screen, included the following: Medical history, height, weight, blood pressure, pulse, full visual acuity, urine testing for sugar and albumin, urine drug testing and physical examination. Ford shall not require a post-offer pre-placement screen for a Transferred Employee.

Visteon shall conduct exit health assessments for all Transferred Employees enrolled in a medical surveillance program prior to the Transferred Employee leaving the Visteon facility to return to a Ford facility. Transferred Employees whose most recent assessments were conducted more than six months before the date of return to the Ford facility shall be given an exit health assessment for the medical surveillance program(s) that they were enrolled in.

For the period that the Transferred Employee continues to work at the Visteon facility, the medical record will be retained at the Visteon location but Ford shall have access to such record as

reasonably required. If the Transferred Employee transfers from a Visteon location to a Ford location after the Transition Date, the Visteon location will retain the original medical record. Visteon will copy the entire medical record that is hard copy and send to Ford within thirty (30) days of the transfer. Ford will incur any reasonable costs associated with the copying and mailing of the medical record. In addition, upon request of the Ford location, Visteon will provide Ford with a copy of the computerized record if available. Ford will incur any reasonable costs associated with the copying and mailing of the computerized medical record.

### ARTICLE III

#### EMPLOYEE BENEFIT PLANS

#### 3.01 DEFINED BENEFIT PENSION PLANS.

##### (a) FORD-UAW RETIREMENT PLAN.

The Ford-UAW Retirement Plan shall provide retirement benefits for credited service on or after the Transition Date for Transferred Employees subject to the following:

- (i) For purposes of determining vesting and eligibility for benefits, service credited under the Visteon-UAW Retirement Plan shall be recognized under the Ford-UAW Retirement Plan; and
- (ii) Subject to receipt of the asset transfer described below, the Ford-UAW Retirement Plan shall pay a benefit related to service with Visteon prior to the Transition Date.

After the Transition Date, Transferred Employees shall participate in the Ford-UAW Retirement Plan and shall accrue the same benefits for service as those other Ford hourly employees represented by the UAW who participate in the Ford-UAW Retirement Plan.

##### (b) LIABILITY AND ASSET TRANSFERS FROM THE VISTEON-UAW RETIREMENT PLAN TO THE FORD-UAW RETIREMENT PLAN.

- (i) Visteon and Ford shall take such steps that are necessary to transfer to the Ford-UAW Retirement Plan any credited service and benefits accrued under the Visteon-UAW Retirement Plan with respect to a Transferred Employee to the date immediately prior to the Transition Date to the extent permitted by law provided the Ford-UAW Retirement Plan and the Visteon-UAW Retirement Plan each respectively retain their tax-qualified status after the

transfer and the Ford-UAW Retirement Plan is not required to be amended to provide for any additional benefit rights or features not currently contained in the Ford-UAW Retirement Plan, except as specifically provided in this Section. Visteon shall amend the Visteon-UAW Retirement Plan to vest Transferred Employees in 100% of their benefits accrued under the Visteon-UAW Retirement Plan prior to the transfer of liabilities and assets to the Ford-UAW Retirement Plan as described in this subparagraph (b). Ford shall amend the Ford-UAW Retirement Plan, subject to Union approval, to provide that credited service under the Visteon-UAW Retirement Plan with respect to a Transferred Employee shall be treated for all purposes as Ford-UAW Retirement Plan credited service. Future service shall be accrued under the Ford-UAW Retirement Plan. A Transferred Employee shall not be treated as having a separation from employment for purposes of the Visteon-UAW Retirement Plan or the Ford-UAW Retirement Plan and shall not be entitled to an immediate distribution of plan benefits solely because of the employment transfer.

- (ii) As soon as practicable after the latest of (A) the date on which the PBO Value is determined and verified pursuant to (iii) below, (B) the expiration of thirty days following the filing, if required, of Form 5310 with the IRS and PBGC in respect of the Ford-UAW Retirement Plan and the Visteon-UAW Retirement Plan ("Asset Transfer Date"), Visteon shall cause the trustee of the Visteon-UAW Retirement Plan to transfer assets to the Ford-UAW Retirement Plan in an amount equal to the PBO Value as determined in (iii) below. The assets shall consist of cash or cash equivalents, or marketable securities, and shall include interest from the Transition Date until the Asset Transfer Date at the 90 day Treasury Bill rate on a bond equivalent yield in effect on the last business day of the month immediately preceding the Payment Date, as quoted in the Wall Street Journal.
- (iii) As of a date mutually agreed by Visteon and Ford ("Valuation Date"), in respect of each Transferred Employee then a participant in the Visteon-UAW Retirement Plan, the Visteon Actuary shall measure the projected benefit obligation, as defined in SFAS No. 87, of the liabilities related to the Transferred Employees as of the Transition Date ("Transferred Employee PBO Value" or "PBO Value") in accordance with the principles stated below:

- (A) The present value of liabilities will be determined under SFAS No. 87 as the projected benefit obligation, using the actuarial assumptions and methods that are published in the most recent actuarial valuation for accounting purposes adjusted to reflect current condition (e.g. accelerated vesting) not reflected in the most recent valuation for the Visteon-UAW Retirement Plan prepared by Towers Perrin; and
- (B) A discount rate as of the Transition Date equal to the annual effective yield equivalent to the nominal semi-annual yield published by Moody's Investors Service at [www.Moodys.com](http://www.Moodys.com) for its AA Corporate Bond Index, rounded to the nearest 1/4%, provided such rate is a reasonable proxy for the Ford SFAS 87 discount rate for the Ford-UAW Retirement Plan in effect as of the Valuation Date. If such rate is not a reasonable proxy as determined solely by Ford, then the Visteon Actuary and the Ford Actuary shall determine an acceptable discount rate no later than thirty days after the Transition Date.

In no event shall the PBO Value as calculated on the basis described above result in an asset transfer less than the amount necessary to reflect the requirements of the provisions of Code Section 411(d) and 414(1) and the Treasury Regulations issued thereunder and the actuarial methods and assumptions established by the PBGC with respect to spin-offs of pension plans where liabilities, for purposes of Code Section 411(d) and 414(1), are calculated using a discount rate or rates and other assumption specified by the PBGC and in effect for plans terminating on the Valuation Date. The determination of the PBO Value by the Visteon Actuary shall be submitted to the Ford Actuary for verification but such verification shall relate only to the calculation of the PBO Value on the basis set forth above. If the Visteon Actuary and the Ford Actuary are unable to agree on a verification, Visteon and Ford shall jointly designate a third independent actuary whose verification shall be final and binding. Ford and Visteon shall each pay one-half of the costs of such third actuary.

- (iv) Assets transferred pursuant to this Section 3.01 shall increase the balance of the Visteon Pension Account described in Section 1.1 of Attachment A to the Assignment Agreement. If a Transferred Employee thereafter ceases to be a Ford Assigned Employee as

defined in the Assignment Agreement, Visteon's pension obligation to Ford and the balance of the Visteon Pension Account shall be reduced in accordance with Section 9 of Attachment A to the Assignment Agreement.

3.02 ASSET TRANSFER-RETIREE HEALTH CARE AND LIFE INSURANCE OBLIGATIONS.

Visteon will pay to Ford an amount equal to the SFAS 106 APBO transferred to Ford with respect to the Transferred Employees to the extent the Transferred Employee is not assigned to a Visteon plant location under the terms of the Assignment Agreement. The amount shall be calculated in a manner that is consistent with the calculation of the pension asset transfer provided in Section 3.01(b) above.

3.03 SAVINGS PLANS.

Visteon Employee contributions to the Visteon Investment Savings Plan for Hourly Employees (VISPHE) shall cease effective with the first pay period beginning after the Transition Date. Transferred Employees as of the Transition Date may commence pretax and after tax contributions up to an aggregate of 40% of base wages in the Ford Motor Company Tax Efficient Savings Plan for Hourly Employees ("TESPHE") beginning as of the first pay ending date after the Transition Date. Unless otherwise modified, the contribution elections that the Transferred Employee had in place under VISPHE shall be honored by the TESPHE.

Transferred Employees may elect a direct rollover of their account balances in VISPHE to the TESPHE during a period beginning on the Transition Date and ending on January 9, 2004 ("Election Period"), unless a different period is agreed by the Parties. Outstanding VISPHE loan balances of Transferred Employees who elect a direct rollover of their account balance will be transferred to TESPHE.

Contributions to TESPHE after the Transition Date and account balances of Transferred Employees who elect a direct rollover as described in the preceding paragraph will be mapped as provided in Schedule 3.03 to identical or substantially similar investment options if available under TESPHE. To the extent there is no identical or substantially similar investment option available under TESPHE, such account balances will be transferred to the TESPHE Interest Income Fund until redirected by the Transferred Employee. Investments in the VISPHE Visteon Stock Fund will be liquidated as of market close on the date the rollover election becomes effective and an amount equal to the realized cash will be invested in the TESPHE Interest Income Fund.

Transferred Employees who do not elect a direct rollover to TESPHE may retain their account balances of \$3,500 or more in VISPHE or withdraw them at any time after the Transition Date. VISPHE accounts with balances less than \$3,500 will be distributed to the Transferred Employees who do not elect a direct rollover as described above. Transferred Employees with outstanding loan balances in VISPHE who elect to leave their account balances in VISPHE will be provided with coupon books for monthly loan repayments. Outstanding loans of Transferred Employees who receive a distribution from VISPHE will be defaulted and foreclosed unless repaid prior to distribution.

After the Election Period, TESPHE will accept rollovers of eligible VISPHE distributions if so elected by the Transferred Employee on the same basis as TESPHE receives rollovers from other employer's qualified defined contribution plans. For avoidance of doubt, after the Election Period, TESPHE will not accept a rollover of any loan and the rollover distribution will not be mapped as provided in Schedule 3.03.

Ford and Visteon agree to use their best efforts to request and obtain any approvals necessary from the Internal Revenue Service and to make any amendments to their plans and trusts as may be necessary or appropriate to effect the transfers contemplated by these provisions. Visteon shall give notice to VISPHE plan participants of any applicable black-out period to the extent required under federal law.

3.04 HEALTH BENEFITS.

Transferred Employees as of the Transition Date shall be eligible for the Ford-UAW HSMDDV Program effective as of the Insurance Conversion Date. Such employees shall be subject to the Ford waiting period for such coverages but Visteon service will be counted towards the waiting period. The Ford-UAW alternative plans shall be available to Transferred Employees based on such employee's zip code of residence or work zip code. Visteon shall continue coverage for Transferred Employees under the Visteon-UAW HSMDDV Program until the Insurance Conversion Date.

3.05 LIFE INSURANCE PROGRAMS.

(a) COMPANY PAID LIFE INSURANCE COVERAGE.

Transferred Employees as of the Transition Date shall be eligible for coverage through the Ford-UAW Group Life Insurance Program effective as of the Insurance Conversion Date. Transferred Employees shall be required to execute a new beneficiary designation form, as required by Ford's plan administrator. In the event of a death prior to receipt of a new beneficiary designation form, Ford shall use the last beneficiary form of record under the Visteon-UAW Group Life Insurance Program. Visteon shall continue coverage for Transferred Employees under the Visteon-UAW Group Life Insurance Program until the Insurance Conversion Date.

(b) EMPLOYEE PAID OPTIONAL LIFE INSURANCE COVERAGE, DEPENDENT GROUP LIFE INSURANCE AND OPTIONAL ACCIDENT INSURANCE.

Payroll deduction of premiums for optional life insurance coverage, dependent group life insurance coverage and optional accident insurance coverage under the Visteon employee paid optional insurance programs shall cease the day prior to the Insurance Conversion Date. Transferred Employees shall have current Visteon coverage amounts continued under the Ford optional life insurance program, the dependent group life insurance

program and the optional accident insurance program with coverage to be effective on the Insurance Conversion Date. Transferred Employees shall be required to execute a new beneficiary designation form, as required by Ford's plan administrator, in the case of optional life coverage. In the event of a death prior to receipt of a new beneficiary designation form, Ford shall use the last beneficiary form of record under the Visteon employee paid optional life insurance program.

(c) ACCIDENTAL DEATH AND DISMEMBERMENT INSURANCE

Visteon shall continue coverage for Transferred Employees under the Visteon-UAW Accidental Death and Dismemberment Insurance Program until the Insurance Conversion Date. Transferred Employees as of the Transition Date shall be eligible for coverage through the Ford-UAW Accidental Death and Dismemberment Insurance Program effective as of the Insurance Conversion Date. In the event of accidental death, Ford shall use the beneficiary designated under the Ford-UAW Life Insurance Program.

(d) SEAT BELT USER PROGRAM

Transferred Employees shall be eligible for coverage through the Ford Safety Belt User Program for accidents that occur on or after the Insurance Conversion Date. If the accident occurs prior to the Insurance Conversion Date, but the loss of life occurs after the Insurance Conversion Date, Visteon shall be responsible for payment of any benefit under the Visteon Safety Belt User Program.

3.06 DISABILITY INSURANCE PROGRAMS.

Transferred Employees as of the Transition Date shall be eligible for coverage through the Ford-UAW Disability Insurance Program (Accident and Sickness Insurance and Extended Disability Benefits) effective as of the Insurance Conversion Date. Visteon shall continue coverage for Transferred Employees under the Visteon-UAW Disability Insurance Program (Accident and Sickness Insurance and Extended Disability Benefits) until the Insurance Conversion Date.

3.07 SUB/GIS.

Transferred Employees employed on or after the Transition Date shall be covered under the Ford-UAW SUB Plan and GIS Program assuming they meet Ford's eligibility requirements for coverage. Inactive Visteon Employees who attempt to return to work at Ford from workers' compensation leave or long term disability leave with no restrictions but who cannot otherwise be placed at work shall be covered under the Ford-UAW SUB Plan and GIS Program assuming they meet Ford's eligibility requirements for coverage.

3.08 UAW-FORD LEGAL SERVICES PLAN.

Cases opened prior to the Transition Date shall be completed under the Visteon CBA. Cases opened on or after the Transition Date shall be completed under the Ford CBA.

ARTICLE IV

OTHER EMPLOYEE MATTERS

4.01 WORKERS' COMPENSATION (W.C.).

All claims and liabilities, which relate to injuries affecting Transferred Employees that occur on or after the Transition Date shall be processed under the Ford self-insured W.C. Program. All claims and liabilities which relate to injuries affecting Transferred Employees which occurred prior to the Transition Date shall be processed to conclusion under the Visteon self insured W.C. Program.

4.02 PROFIT SHARING.

Transferred Employees shall become eligible to participate in the Profit Sharing Plan for Hourly Employees of Ford Motor Company ("Ford Profit Share Plan") on or after the Transition Date, but shall receive a profit share for the entire calendar year 2003 based on Ford profits, if any, for 2003. Any profit share payable under the Ford Profit Share Plan shall be payable to the extent and according to the timing specified in the Ford Profit Share Plan. Visteon shall reimburse Ford for the cost of the 2003 profit share payments under the terms of the Assignment Agreement, even with respect to any Transferred Employees who are not currently assigned to Visteon locations under the Assignment Agreement at the time the profit share payment is paid. In addition, Ford shall pay a prorated Ford profit share in respect of any Visteon employee who died during 2003, with the cost to be recovered from Visteon through the Assignment Agreement.

4.03 VEHICLE PURCHASE PLAN.

On or after the Transition Date, Transferred Employees shall be eligible to participate in the Ford Vehicle Purchase and Assignment Plans applicable to Ford-UAW hourly employees. To the extent sales were entered into prior to the Transition Date, they shall be completed under the terms of the Visteon CBA.

4.04 FAMILY SUPPORT, GARNISHMENTS AND LEGAL HOLDS.

(a) FAMILY SUPPORT.

Ford shall notify governmental agencies in advance of the Transition Date of the change of employer in order that such agencies may refile with Ford.

(b) GARNISHMENTS.

Neither Visteon nor Ford shall notify any creditor of a Transferred Employee of the change of employer. A Visteon Employee or a Transferred Employee may notify his or her creditor of the change of employer.

(c) LEGAL HOLDS.

Ford shall Inform the applicable courts in advance of the Transition Date of the change of employer and the need to refile with Ford.

4.05 EMPLOYEE WAGE AND BENEFIT LIABILITIES

Visteon shall pay, discharge and be responsible for (i) all wages and other compensation arising out of or relating to the employment of the Transferred Employees prior to the Transition Date; (ii) any benefits arising under Visteon employee benefit plans and programs relating to claims incurred or events that took place prior to the Transition Date, including benefits with respect to claims incurred prior to the Transition Date but reported after the Transition Date; and (iii) workers' compensation claims, expenses, liabilities, or administrative responsibilities of any kind whatsoever with respect to injuries incurred prior to the Transition Date, regardless of when reported.

Ford shall pay, discharge and be responsible for (i) all wages and other compensation arising out of or relating to the employment of the Transferred Employees on or after the Transition Date; (ii) any benefits arising under the Ford CBA applicable to Transferred Employees relating to claims incurred or events that took place on or after the Transition Date with respect to insurance claims; and (iii) workers' compensation claims, expenses, liabilities, or administrative responsibilities of any kind whatsoever with respect to injuries incurred after the Transition Date.

4.06 COMMUNICATIONS

No communication to or with respect to Visteon Employees covering the transactions contemplated by this Agreement shall be released without the mutual agreement of Visteon and Ford.

ARTICLE V

INDEMNIFICATION

5.01 INDEMNITY.

Ford shall indemnify Visteon against and agrees to hold it harmless from any and all damage, loss, claim, liability and expense (including without limitation, reasonable attorneys' fees and expenses in connection with any action, suit or proceeding brought against Visteon) incurred or suffered by Visteon arising out of (i) breach of any agreement made by Ford hereunder; (ii) employment claims of Transferred Employees

based on conditions or actions of Ford which arise or take place subsequent to the Transition Date; or (iii) any claim by Transferred Employees (or their dependents or beneficiaries), arising out of or in connection with the operation, administration, funding or termination of any of Ford's employee benefit plans or programs applicable to Transferred Employees after the Transition Date, including, without limitation, claims made to the to the Pension Benefit Guaranty Corporation ("PBGC"), the Department of Labor ("DOL"), or Internal Revenue Service ("IRS").

Visteon shall indemnify Ford against and agrees to hold it harmless from any and all damage, loss, claim, liability and expense (including without limitation, reasonable attorneys' fees and expenses in connection with any action, suit or proceeding brought against Ford) incurred or suffered by Ford arising out of (i) breach of any agreement made by Visteon hereunder; (ii) employment claims of Transferred Employees whenever made based on conditions or actions of Visteon which arose or took place prior to the Transition Date; or (iii) any claim by Transferred Employees (or their dependents or beneficiaries), arising out of or in connection with the operation, administration, funding or termination of any of Visteon's employee benefit plans or programs applicable to Transferred Employees prior to the Transition Date or in connection with the operation and administration of any such plans on or after the Transition Date, including, without limitation, claims made to the PBGC, the DOL or IRS.

5.02 PROCEDURE FOR INDEMNITY.

The procedure for indemnification under this Article V shall be the same procedure set forth in Section 7(c) through (j) of the Master Transfer Agreement between Ford and Visteon dated April 1, 2000.

ARTICLE VI

GENERAL PROVISIONS

6.01 TERMINATION.

This Agreement may be terminated at any time before the Transition Date, without liability on the part of any Party hereto exercising such right of termination, by the mutual consent of the Parties as evidenced by an instrument in writing.

6.02 NO THIRD-PARTY BENEFICIARIES.

No provision of this Agreement is intended or shall be construed to confer upon any person other than the Parties hereto any rights or remedies of any nature or kind whatsoever, including but not limited to Transferred Employees.

6.03 AMENDMENTS.

No amendment to this Agreement will be binding upon either Party unless it is in writing and is signed by a duly authorized representative of each Party. This Agreement supercedes any prior agreements between the Parties concerning the subject matter herein.

6.04 WAIVERS AND EXTENSIONS.

Either Party to this Agreement may waive any right, breach, or default, which such Party has the right to waive, provided that such waiver will not be effective against the waiving Party unless it is in writing, is signed by such Party, and specifically refers to this Agreement. Waivers may be made in advance or after the right waived has arisen or the breach or default waived has arisen or the breach or default waived has occurred. Any waiver may be conditional. No waiver of any breach of any agreement or provision herein contained shall be deemed a waiver of any proceeding or succeeding breach thereof nor of any other agreement or provision herein contained. No waiver or extension of time for performance of any obligations or acts shall be deemed a waiver or extension of the time for performance of any other obligations or acts.

6.05 TITLES AND HEADINGS.

Titles and headings of sections of this Agreement are for convenience only and shall not affect the construction of any provision of this Agreement.

6.06 SCHEDULES.

Each of the Schedules referred to herein and attached hereto is an integral part of this Agreement and is incorporated herein by reference.

6.07 ASSIGNMENT.

This Agreement shall be binding upon and inure to the benefit of the Parties, and their respective successors and permitted assigns, but no rights, interests or obligations of either Party herein may be assigned without the prior written consent of the other, which consent shall not be unreasonably withheld.

6.08 SEVERABILITY.

If any provision of this Agreement, or portion thereof, is invalid or unenforceable under any statute, regulation, ordinance, executive order or other rule of law, such provision, or portion thereof, shall be deemed reformed or deleted, but only to the extent necessary to comply with such statute, regulation, ordinance, order or rule, and the remaining provisions of this Agreement shall remain in full force and effect.

6.09 GOVERNING LAW.

This Agreement will be construed and enforced in accordance with the laws of the State of Michigan, excluding its conflict of laws rules. Each Party consents, for purposes of enforcing this Agreement, to personal jurisdiction, service or process and venue in any state or federal court within the State of Michigan having jurisdiction over the subject matter. The Parties exclude the application of the 1980 United Nations Convention on Contracts for the International Sale of Goods, if otherwise applicable.

6.10 NOTICES.

Any notice under this Agreement must be in writing (letter, facsimile) and will be effective when received by the addressee at its address indicated below. The Parties by notice may designate other addresses to which notices will be sent.

If to Ford:

Ford Motor Company  
Office of the Secretary  
One American Road  
11th Floor World Headquarters  
Dearborn, Michigan 48126-2798  
Fax:(313)248-7036

If to Visteon:

Visteon Corporation  
One Parklane Boulevard, Ste. 728 East  
Dearborn, Michigan 48126  
Attention: General Counsel  
Fax:(313)755-2342

All such notices and communications hereunder shall be deemed given when received, as evidenced by the acknowledgment of receipt issued with respect thereto by the applicable postal authorities, or the signed acknowledgment of the receipt of the person to whom such notice or communication shall have been addressed, or facsimile transmission answerback, as applicable.

6.11 FORCE MAJEURE.

If the failure of any Party hereto to fulfill its obligations within the time periods set forth in this Agreement arises because of circumstances such as acts of God, acts of government, floods, fires, explosions accidents, strikes or other labor disturbances, wars, civil insurrection, sabotage terrorist action, nuclear or environmental disaster or other similar circumstances wholly outside the control of the defaulting Party (collectively, "Force Majeure Event"), then such failure shall be excused hereunder for the duration of such Force Majeure Event.

6.12 TIME OF THE ESSENCE.

Time is strictly of the essence in the performance of every covenant, obligations or promise set forth in this Agreement.

6.13 DISPUTE RESOLUTION.

If a dispute arises between the Parties relating to this Agreement, the following shall be the sole and exclusive procedure for enforcing the terms hereof and for seeking relief, including but not limited to damages, hereunder; provided, however, that a Party

may seek injunctive relief from a court where appropriate solely for the purpose of maintaining the status quo while this procedure is being followed:

- (a) The Parties promptly shall hold a meeting of the Governance Council to attempt in good faith to negotiate a mutually satisfactory resolution of the dispute; provided, however, that no Party shall be under any obligation whatsoever to reach, accept or agree to any such resolution; provided further, that no such meeting shall be deemed to vitiate or reduce the obligations and liabilities of the Parties or be deemed a waiver by a Party hereto of any remedies to which such Party would otherwise be entitled.
- (b) If the Parties are unable to negotiate a mutually satisfactory resolution as provided above, any Party may so notify the other. In that event, the Parties agree to participate in good faith in mediation of the dispute. Such mediation shall conclude no later than forty-five (45) days from the date that the mediator is appointed. If the Parties are not successful in resolving the dispute through mediation, then the Parties agree to submit the matter to binding arbitration before a sole arbitrator in accordance with the CPR Rules for Non-Administered Arbitration. Within five business days after the selection of the arbitrator, each Party shall submit its requested relief to the other Party and to the arbitrator with a view toward settling the matter prior to commencement of discovery. If no settlement is reached, then discovery shall proceed. Upon the conclusion of the discovery, each Party shall again submit to the arbitrator its requested relief (which may be modified from the initial submission) and the arbitrator shall select only the entire requested relief submitted by one Party or the other, as the arbitrator deems most appropriate. The arbitrator shall not select one Party's requested relief as to certain claims or counterclaims and the other Party's requested relief as to other claims or counterclaims. Rather, the arbitrator must only select one or the other Party's entire requested relief on all of the asserted claims and counterclaims, and the arbitrator will enter a final ruling that adopts in whole such requested relief. The arbitrator will limit the arbitrator's final ruling to selecting the entire requested relief the arbitrator considers the most appropriate from those submitted by the Parties.
- (c) Mediation and, if necessary, arbitration shall take place in the City of Dearborn, Michigan unless the Parties agree otherwise or the mediator or the arbitrator selected by the Parties orders otherwise. Punitive or exemplary damages shall not be awarded. This clause is subject to the Federal Arbitration Act, 28 U.S.C.A. Section 1, et seq., or comparable legislation in non-U.S. jurisdictions, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction.

6.14 COUNTERPARTS.

This Agreement may be executed in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute one and the same instrument.

[Remainder of Page Intentionally Left Blank]

This Agreement may be executed in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute one and the same instrument.

IN WITNESS WHEREOF, Ford and Visteon have caused this Agreement to be executed in multiple counterparts by their duly authorized representatives.

FORD MOTOR COMPANY

VISTEON CORPORATION

By: /s/ Don Leclair  
-----

By: /s/ Daniel R. Coulson  
-----

Title: Group Vice President & CFO

Title: Executive Vice President &  
Chief Financial Officer

Date: 12/19/03

Date: 12/19/03

## EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement"), effective as of January 1, 2004, by and between Visteon Corporation ("Visteon" or "Company") and Daniel R. Coulson ("Coulson").

WHEREAS, Coulson, currently employed by Visteon as its Executive Vice President and Chief Financial Officer, had previously elected to retire effective December 31, 2003, and if such retirement election were to be effective he would have been entitled to a distribution from the Visteon Corporation Deferred Compensation Plan ("Deferred Compensation Plan") in March, 2004 in accordance with Coulson's pre-existing election under the Deferred Compensation Plan; and

WHEREAS, during Visteon's search for a successor Chief Financial Officer, Visteon desires that Coulson remain as Chief Financial Officer, and Coulson has agreed to assist the Company by deferring his retirement and remaining the Chief Financial Officer on the terms set forth herein;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and intending to be legally bound, the Company and Coulson hereby agree as follows:

1. Continued Appointment and Compensation. Visteon agrees to continue to employ Coulson as its Executive Vice President and Chief Financial Officer, and Coulson agrees to remain in such employ, during the term of this Agreement. During the term hereof, Coulson shall be entitled to receive from Visteon, in accordance with its policies and procedures: (i) a base salary in an amount equal to his base salary as of December 1, 2003; (ii) any annual or long-term incentive award or awards that would have vested in accordance with its terms as of December 31, 2003; (iii) a pro rata portion of any 2004 annual incentive award he would have otherwise been entitled to receive as approved by the Organization and Compensation Committee of the Board of Directors of Visteon; and (iv) such other employment benefits that, except as otherwise provided herein, are equivalent, or substantially equivalent, to those provided to other similarly situated executive officers of the Company, including, without limitation, the executive flexible perquisite account, paid vacation, "change in control" protections, and D&O liability insurance coverage. Notwithstanding the foregoing, Coulson shall not be eligible to receive a 2004 long-term incentive award or awards. Coulson may terminate his employment relationship with Visteon at any time, upon 30 days advance written notice to the Chief Executive Officer of Visteon, and elect to retire with full benefits under the applicable retirement plans. Visteon may terminate Coulson's employment relationship at any time, with or without cause, without advance notice thereof; provided, however, that if Visteon shall not provide 30 days advance notice of its election to so terminate, it shall pay Coulson his base pay for such 30-day period.



Visteon Corporation and Subsidiaries  
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

-----  
(in millions)

|  | For the Years Ended December 31, |          |          |        |          |
|--|----------------------------------|----------|----------|--------|----------|
|  | 2003                             | 2002     | 2001     | 2000   | 1999     |
| -----  |                                  |          |          |        |          |
| Earnings   |                                  |          |          |        |          |
| Income/(loss) before income taxes, minority interest and<br>change in accounting | \$(1,150)                        | \$ (117) | \$ (169) | \$ 439 | \$ 1,172 |
| Earnings of non-consolidated affiliates  | (55)                             | (44)     | (24)     | (56)   | (47)     |
| Cash dividends received from non-consolidated affiliates                         | 35                               | 16       | 12       | 17     | 24       |
| Fixed charges  | 126                              | 139      | 174      | 215    | 173      |
| Capitalized interest, net of amortization  | 3                                | 1        | (2)      | (3)    | (1)      |
|  | -----                            | -----    | -----    | -----  | -----    |
| Earnings   | \$(1,041)                        | \$ (5)   | \$ (9)   | \$ 612 | \$ 1,321 |
|  | =====                            | =====    | =====    | =====  | =====    |
| Fixed Charges  |                                  |          |          |        |          |
| Interest and related charges on debt   | \$ 97                            | \$ 109   | \$ 139   | \$ 176 | \$ 149   |
| Portion of rental expense deemed to be interest                                  | 29                               | 30       | 35       | 39     | 24       |
|  | -----                            | -----    | -----    | -----  | -----    |
| Fixed charges  | \$ 126                           | \$ 139   | \$ 174   | \$ 215 | \$ 173   |
|  | =====                            | =====    | =====    | =====  | =====    |
| Ratios   |                                  |          |          |        |          |
| Ratio of earnings to fixed charges*  | N/A                              | N/A      | N/A      | 2.8    | 7.6      |

-----  
\* For the years ended December 31, 2003, 2002 and 2001, fixed charges exceeded earnings by \$1,167 million, \$144 million and \$183 million, respectively, resulting in a ratio of less than one.

[VISTEON LOGO]

See the possibilities(TM)

A  
Pledge  
of  
Integrity

An Ethics Guide for Employees of Visteon Corporation

INNOVATION INTEGRITY SAFETY CUSTOMERS PEOPLE PROFITABILITY CITIZENSHIP

Visteon Vision

To Be  
the World's  
Leading Supplier  
of  
Integrated  
Automotive Systems

See the possibilities(TM)...

[PESTILLO PHOTO]

As Visteon continues on its journey as an independent corporation, we have the unique opportunity to decide who we are as a company, what we stand for, and how we will conduct ourselves - both within the confines of our own facilities and operations and out in the marketplace. As employees, we have the opportunity each day and in every circumstance to respond to these challenges, realizing that how we act will determine, in large part, how we are regarded by our customers, our communities and our co-workers.

Guiding our actions are certain core values. They include citizenship, innovation, safety, customer focus, people, profitability and integrity. Perhaps the most overarching value, the one that significantly impacts all the others, is integrity. Conducting ourselves with integrity requires a strong and continuing commitment to the ethics policy outlined in this booklet. I urge you to review these important principles and take time to reflect on how they affect you and your work.

The ethical standards embodied in our policies - and our conduct - will distinguish Visteon as we continue on our exciting journey to success.

Sincerely,  
Peter J. Pestillo  
Chairman

## Core Values

### INNOVATION

Our people's creativity and their ability to anticipate the market and leverage technology will give us a competitive advantage.

### INTEGRITY

We demand the highest ethical standards of ourselves and others.

### SAFETY

We will not compromise in providing a safe work environment for our employees and safe products for our customers.

### CUSTOMERS

We will earn the trust and satisfaction of our customers by exceeding their expectations.

### PEOPLE

We will create an inclusive work environment where all employees can contribute to their fullest capability.

### PROFITABILITY

We are committed to providing value to our shareholders by building a high performing business.

### CITIZENSHIP

We will act to protect the environment and add value to the community.

2

INNOVATION INTEGRITY SAFETY CUSTOMERS PEOPLE PROFITABILITY CITIZENSHIP

## Leadership Standards

### FOCUS ON THE CUSTOMER

Demonstrate fast response, flawless execution and flexible approaches.

### UNDERSTAND THE BUSINESS

Leverage product integration and acquire an in-depth knowledge of our customers, competitors, partners and ourselves.

### TAKE ACTION

Seek creative solutions to problems, add value and make a difference.

### VALUE DIVERSITY AND RESPECT OTHERS

Cultivate an environment where all ideas are considered and valued and all people can succeed.

### TEACH AND LEARN

Share knowledge and experience; gain new insights from others.

### TAKE RESPONSIBILITY

Be accountable for decisions and actions.

### DEMONSTRATE INTEGRITY

Possess business ethics beyond reproach.

### FOSTER A SAFE AND HEALTHY ENVIRONMENT

Practice careful workplace standards and become model global citizens.

### RECOGNIZE INDIVIDUAL AND TEAM CONTRIBUTIONS

Celebrate our successes; learn from our mistakes.

### COMMUNICATE

Share information.

## Ethics Policy

### Diversity and Equal Opportunity

Visteon is committed to creating and maintaining an environment in which all employees are treated with integrity and respect, and differences are highly valued. We are working to foster an inclusive environment that provides equal opportunity to our employees, customers, suppliers and the community at large. By creating a corporate culture in which harassment or discriminatory treatment of any form is not tolerated, we can give every employee the opportunity to contribute the business of Visteon.

[PHOTO]

4

INNOVATION INTEGRITY SAFETY CUSTOMERS PEOPLE PROFITABILITY CITIZENSHIP

## Ethics Policy

### Safety, Health and the Environment

At Visteon, the health and safety of each individual is a primary concern. We are committed to practices that will generate safe workplace actions, conditions and procedures, and we are working closely with our employees to develop and maintain a safe and healthy work environment. Visteon also is a responsible corporate citizen, protecting and conserving the natural environment. We comply with all accepted environmental standards - meeting and often exceeding applicable regulatory and legal requirements. We continually are improving our environmental performance, working to minimize the creation of solid and liquid waste and eliminating other practices that could have a harmful impact on the environment.

[PHOTO]

In addition, we encourage and support our employees' involvement in local environmental issues as they strive to make a difference within our communities.

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INNOVATION INTEGRITY SAFETY CUSTOMERS PEOPLE PROFITABILITY CITIZENSHIP

## Ethics Policy

### Product Safety and Quality

To realize our vision of becoming the world's leading supplier of integrated automotive systems, Visteon must design, engineer and exceed all applicable laws, regulations, voluntary standards and industry practices. Acknowledging the trust customers and consumers place in us, we accept the responsibility to produce high quality products and services with a commitment to continuous improvement in product performance. And we are dedicated to creating products that consistently earn high marks for safety. Because every employee impacts Visteon products and services, we all share the commitment to, and responsibility for, safety and quality in the products we make.

[PHOTO]

6

INNOVATION INTEGRITY SAFETY CUSTOMERS PEOPLE PROFITABILITY CITIZENSHIP

Ethics Policy

Company Property and Information

Company records, property, technical information and communications constitute a valuable asset that can be critical to Visteon's performance and competitive advantage. Such materials are the property of the company and should be used only to further Visteon's business objectives.

Employees can help protect the confidentiality of this important business information by taking certain precautions:

- - DISCUSS CONFIDENTIAL INFORMATION ONLY IN SECURED AREAS
- - LIMIT USE OF SPEAKERPHONES AND CELLULAR PHONES
- - LOCK ALL FILE CABINETS
- - SECURE COMPUTERS AND COMPUTER DISCS
- - RESTRICT ENTRY TO SECURED AREAS TO PERSONS WITH PROPER IDENTIFICATION
- - PROHIBIT USE OF CAMERAS ON COMPANY SITES
- - KEEP PROTOTYPES, PARTS AND RELATED PRODUCT INFORMATION OUT OF SIGHT

[PHOTO]

## Ethics Policy

- - REFER OUTSIDE REQUESTS FOR INFORMATION TO THE APPROPRIATE ORGANIZATION
- - SHRED CONFIDENTIAL PAPERS

Visteon's relationship with its shareholders and the investment community is built upon its reputation for honesty and integrity in financial and related reporting. Thus, employees should make every effort to ensure that information contained in documents filed by the company with governmental or regulatory bodies, including the Securities and Exchange Commission, and in other company communications is complete, fair, accurate, timely and understandable.

In addition, employees are required to ensure the accuracy of any records they may develop or review, including financial records, expense reports and engineering or other technical documents.

These responsibilities and restrictions apply equally to electronic information methods (e-mail, Internet, etc.) and prohibit accessing or creating any electronic communications that contradict Visteon personnel policy.

[GRAPHIC]

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INNOVATION INTEGRITY SAFETY CUSTOMERS PEOPLE PROFITABILITY CITIZENSHIP

## Ethics Policy

### Intellectual Property

Inventions, ideas and other forms of intellectual property are an integral part of Visteon's success. As a result, we are diligent about protecting valuable company technology through patents, trade secret protection, copyrights or other such methods. Visteon is equally committed to avoiding the unauthorized use of the intellectual property of other companies or individuals.

[GRAPHIC]

## Ethics Policy

### Insider Trading

One example of a misuse of Visteon information and a violation of the law is insider trading. Insider trading occurs when an individual uses material nonpublic information acquired in the course of employment to buy or sell stock or other securities. It is unethical and unlawful for Visteon employees to use such information for their own benefit or to disclose it to others (such as family members or friends) who would use it in buying or selling Visteon securities. Also prohibited are "tips" about a company with which Visteon might have a pending material transaction, such as an acquisition or a strategic alliance, if information about the transaction is nonpublic.

[PHOTO]

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INNOVATION INTEGRITY SAFETY CUSTOMERS PEOPLE PROFITABILITY CITIZENSHIP

## Ethics Policy

### Conflicts of Interest

As Visteon employees, we should avoid any actions, investments or interests which reflect unfavorably on ourselves or the company. More specifically, we should avoid any action that has the potential or appearance of impacting the company adversely or interfering with an employee's business judgment. Examples of potential conflicts of interest include: accepting offers of lavish gifts, entertainment or other favors from suppliers; having a financial interest in a vendor or business partner of Visteon; outsourcing work to a company in which a relative has a position of leadership or stands to make monetary gain. Visteon employees also must be aware of our customers' policies regarding gifts and entertainment and respect such policies.

[PHOTO]

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INNOVATION INTEGRITY SAFETY CUSTOMERS PEOPLE PROFITABILITY CITIZENSHIP

## Ethics Policy

### Antitrust Legislation

Visteon policy as well as antitrust laws prohibit price fixing, unfair competition or any other activity which unfairly impacts or restricts competition in the marketplace. Seeking or receiving competitive information or gaining a competitive advantage through illegal means is prohibited. Activities that might constitute violations of antitrust laws and Visteon policy include agreements with competitors on pricing elements, agreements to divide territories or markets, or any limitation on the export, import, production, purchase or sale of products.

[PHOTO]

## Ethics Policy

### International Business and Governmental Regulations

Visteon expects employees, agents and its representatives to comply with all applicable laws in every country in which Visteon does business, as well as all applicable U.S. laws, regardless of the local customs. This includes, but is not limited to, laws against discrimination and harassment and laws prohibiting child and forced labor. One of the most significant laws that will be encountered by employees or others involved in government or international business markets is the Foreign Corrupt Practices Act (FCPA). The FCPA prohibits offers of, or payments to, foreign officials, political parties or candidates for political office, to obtain preferential governmental treatment. This prohibition extends beyond monetary payments and includes offering anything of value not government officials, but also to

[PHOTO]

## Ethics Policy

their representatives or family members. Under certain limited circumstances, nominal payments to facilitate governmental services to which Visteon is legally entitled are not in violation of the FCPA.

Even to the extent that such payments are legal and customary in any particular country in which Visteon does business, they may not be made without advance approval of the legal department. Legal department approval is also required whenever Visteon employees are contemplating giving gifts or contributions to government representatives or foreign officials.

Several laws restrict the countries in which Visteon can operate, as well as the information or products that it can export. Before making a business entry into any new country, consult the legal department.

## Ethics Policy

### Other Responsibilities

Integrity comes down to people doing the right thing - not looking for personal gain or to reward others by taking advantage of ambiguity or uncertainty. Visteon employees are not only champions of the ethics policy, they also can be its protectors - questioning and reporting any practice or activity that conflicts, or appears to conflict, with the Company's ethical standards. Employees who report suspected violations of this policy will help further the business interests of Visteon and ensure that the public regards Visteon as a company committed to integrity.

All employees, including company executives, officers and senior level managers, as well as members of Visteon's board of directors, must conduct their activities in compliance with these ethical standards. Employees engaging in conduct that is contrary to the Ethics Policy may be subject to discipline, up to and including, termination of employment.

Employees should discuss any questions or concerns they have regarding compliance with their managers, their local human resources department or the legal department. Reports of violations or suspected violations of this policy can be made anonymously by calling 313-755-0790 (or 800-311-1561 in North America). The hotline is also a resource for resolving any questions or concerns you might have about Visteon's ethical standards if discussions with management, human resources or the legal department have not resulted in a satisfactory resolution.

### HOTLINES

313-755-0790

NORTH AMERICA

800-311-1561

[VISTEON LOGO]

INNOVATION  
INTEGRITY  
SAFETY  
CUSTOMERS  
PEOPLE  
PROFITABILITY  
CITIZENSHIP

[VISTEON LOGO]

Visteon Corporation  
17000 Rotunda Drive  
Dearborn, MI 48120 USA

Revised 2003

SUBSIDIARIES OF VISTEON CORPORATION AS OF DECEMBER 31, 2003 \*

| Organization   | Jurisdiction      |
|--|-------------------|
| Atlantic Automotive Components, L.L.C.               | Michigan, U.S.A.  |
| Visteon Climate Control Systems Limited              | Delaware, U.S.A.  |
| Visteon Domestic Holdings, LLC                       | Delaware, U.S.A.  |
| Halla Climate Systems Alabama Corp.                  | Delaware, U.S.A.  |
| LTD Parts, Incorporated                              | Tennessee, U.S.A. |
| Visteon Technologies, LLC                            | Delaware, U.S.A.  |
| Visteon Export Services, Inc.                        | Barbados          |
| Visteon Global Technologies, Inc.                    | Delaware, U.S.A.  |
| Visteon Holdings GmbH                                | Germany           |
| Visteon Deutschland GmbH                             | Germany           |
| Infinitive Speech Systems Corp.                      | Delaware, U.S.A.  |
| Infinitive Speech Systems, U.K.                      | England           |
| VC Regional Assembly & Manufacturing                 | Delaware, U.S.A.  |
| Visteon International Holdings, Inc.                 | Delaware, U.S.A.  |
| Autopal s.r.o.                                       | Czech Republic    |
| Brasil Holdings Ltda                                 | Brazil            |
| Visteon Sistemas Automotivos Ltda.                   | Brazil            |
| Duck Yang Industy Co., Ltd                           | Korea             |
| Halla Climate Control Corporation                    | Korea             |
| Visteon International Trading (Shanghai) Co., Ltd    | China             |
| Jiangxi Fuchang Climate Systems, Ltd.                | China             |
| Visteon Climate Control (Beijing) Co. Ltd.           | China             |
| Visteon Amazonas Ltda.                               | Brazil            |
| Visteon Ardennes Industries SAS                      | France            |
| Visteon S.A.   | Argentina         |
| Visteon Asia Holdings, Inc.                          | Delaware, U.S.A.  |
| Visteon Japan, Ltd                                   | Japan             |
| Visteon Automotive Holdings, LLC                     | Delaware, U.S.A.  |
| Grupo Visteon, S.de R.L. de C.V.                     | Mexico            |
| Aeropuerto Sistemas Automotrices S.de R.L de C.V.    | Mexico            |
| Altec Electronica Chihuahua S.A. de C.V.             | Mexico            |
| Autovidrio S.A. de C.V.                              | Mexico            |
| Carplastic S.A. de C.V.                              | Mexico            |
| Climate Systems Mexicana, S.A. de C.V.               | Mexico            |
| Coclisla S.A. de C.V.                                | Mexico            |
| Lamosa S.A. de C.V.                                  | Mexico            |
| Visteon Automotive Systems India Private Limited     | India             |
| Visteon Powertrain Control Systems India PL          | India             |
| Climate Systems India Limited                        | India             |
| Visteon Canada, Inc.                                 | Canada            |
| Halla Climate Control Canada Inc.                    | Canada            |
| Halla Climate Control (Portugal) Ar Condicinado, LDA | Portugal          |
| Visteon Caribbean, Inc.                              | Puerto Rico       |
| Visteon European Holdings Corporation                | Delaware, U.S.A.  |
| Visteon Holdings Espana SI                           | Spain             |
| Cadiz Electronica, S.A.                              | Spain             |
| Visteon Sistemas Interiors Espana, S.L.              | Spain             |
| Visteon Holdings France SAS                          | France            |
| Visteon Holdings Italia, s.r.l.                      | Italy             |
| Visteon Interior Systems Italia SpA                  | Italy             |
| Visteon Interior Holdings France SAS                 | France            |
| Visteon Systemes Interieur France, SA                | France            |
| Reydel Limited                                       | United Kingdom    |
| Visteon Hungary Kft                                  | Hungary           |
| Visteon-Nichirin Czech s.r.o                         | Czech Republic    |
| Visteon Philippines, Inc.                            | Philippines       |
| Visteon Poland S.A.                                  | Poland            |
| Visteon Portugesa, Ltd.                              | Bermuda           |
| Visteon South Africa Pty. Ltd.                       | South Africa      |
| Visteon (Thailand) Co., Ltd.                         | Thailand          |
| Halla Climate Control (Thailand) Company Limited     | Thailand          |
| Visteon UK Limited                                   | England           |
| Visteon Global Treasury, Inc.                        | Delaware, U.S.A.  |
| Visteon LA Holdings Corp.                            | Delaware, U.S.A.  |
| Visteon International Business Development, Inc.     | Delaware, U.S.A.  |

Visteon Systems, LLC  
Visteon AC Holdings Corp.

Delaware, U.S.A.  
Delaware, U.S.A.

9 Other U.S. Subsidiaries

10 Other Non-U.S. Subsidiaries

\* Subsidiaries not shown by name in the above list, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-85406) and S-8 (Nos. 333-39756, 333-39758, 333-40202, and 333-87794) of Visteon Corporation of our report dated January 22, 2004 relating to the financial statements and financial statement schedule, which appears in this Form 10-K.

PricewaterhouseCoopers LLP

Detroit, Michigan  
February 12, 2004

VISTEON CORPORATION

Certificate of Assistant Secretary

The undersigned, Heidi A. Diebol-Hoorn, an Assistant Secretary of VISTEON CORPORATION, a Delaware corporation (the "Company"), DOES HEREBY CERTIFY that the following resolutions were adopted at a duly called meeting of the Board of Directors of the Company on February 11, 2004 and that the same are in full force and effect:

"RESOLVED, that preparation of an Annual Report on Form 10-K of the Company for the year ended December 31, 2003 (the "10-K Report"), including exhibits and other documents, to be filed with the Securities and Exchange Commission (the "Commission") under the Securities Exchange Act of 1934, as amended, be and hereby is in all respects authorized and approved; that the draft 10-K Report be and hereby is approved in all respects; that the directors and appropriate officers of the Company, and each of them, be and hereby are authorized to sign and execute in their own behalf, or in the name and on behalf of the Company, or both, as the case may be, the 10-K Report, and any and all amendments thereto, with such changes therein as such directors and officers may deem necessary, appropriate or desirable, as conclusively evidenced by their execution thereof; and that the appropriate officers of the Company, and each of them, be and hereby are authorized to cause the 10-K Report and any such amendments, so executed, to be filed with the Commission.

"RESOLVED, that each officer and director who may be required to sign and execute the 10-K Report or any amendment thereto or document in connection therewith (whether in the name and on behalf of the Company, or as an officer or director of the Company, or otherwise), be and hereby is authorized to execute a power of attorney appointing D. R. Coulson, G. J. Minor, and S. L. Fox, and each of them, severally, his or her true and lawful attorney or attorneys to sign in his or her name, place and stead in any such capacity the 10-K Report and any and all amendments thereto and documents in connection therewith, and to file the same with the Commission, each of said attorneys to have power to act with or without the other, and to have full power and authority to do and perform in the name and on behalf of each of said officers and directors who shall have executed such power of attorney, every act whatsoever which such attorneys, or any of them, may deem necessary, appropriate or desirable to be done in connection therewith as fully and to all intents and purposes as such officers or directors might or could do in person."

WITNESS my hand as of this 12th day of February, 2004.

/s/ Heidi A. Diebol-Hoorn  
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Heidi A. Diebol-Hoorn  
Assistant Secretary

(SEAL)

POWER OF ATTORNEY WITH RESPECT TO

ANNUAL REPORT ON FORM 10-K OF  
VISTEON CORPORATION FOR  
THE YEAR ENDED DECEMBER 31, 2003

Each of the undersigned, a director or officer of VISTEON CORPORATION, appoints each of D. R. Coulson, G. J. Minor, and S. L. Fox as his or her true and lawful attorney and agent to do any and all acts and things and execute any and all instruments which the attorney and agent may deem necessary or advisable in order to enable VISTEON CORPORATION to comply with the Securities Exchange Act of 1934, and any requirements of the Securities and Exchange Commission, in connection with the Annual Report on Form 10-K of VISTEON CORPORATION for the year ended December 31, 2003 and any and all amendments thereto, including, but not limited to, power and authority to sign his or her name (whether on behalf of VISTEON CORPORATION, or as a director or officer of VISTEON CORPORATION, or by attesting the seal of VISTEON CORPORATION, or otherwise) to such instruments and to such Annual Report and any amendments thereto, and to file them with the Securities and Exchange Commission. The undersigned ratifies and confirms all that any of the attorneys and agents shall do or cause to be done by virtue hereof. Any one of the attorneys and agents shall have, and may exercise, all the powers conferred by this instrument.

Each of the undersigned has signed his or her name as of the 11th day of February 2004.

/s/Peter J. Pestillo  
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Peter J. Pestillo

/s/Karl J. Krapek  
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Karl J. Krapek

/s/Marla C. Gottschalk  
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Marla C. Gottschalk

/s/Charles L. Schaffer  
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Charles L. Schaffer

/s/William H. Gray, III  
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William H. Gray, III

/s/Thomas T. Stallkamp  
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Thomas T. Stallkamp

/s/Steven K. Hamp  
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Steven K. Hamp

/s/Robert M. Teeter  
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Robert M. Teeter

/s/Robert H. Jenkins  
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Robert H. Jenkins

/s/Daniel R. Coulson  
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Daniel R. Coulson

/s/Michael F. Johnston  
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Michael F. Johnston

/s/Glenda J. Minor  
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Glenda J. Minor

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

I, PETER J. PESTILLO, CERTIFY THAT:

1. I have reviewed this Annual Report on Form 10-K 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)) 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) 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
  - c) 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: February 13, 2004

/s/ Peter J. Pestillo

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Peter J. Pestillo  
Chairman and Chief Executive Officer  
(Principal Executive Officer)

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

I, DANIEL R. COULSON, CERTIFY THAT:

1. I have reviewed this Annual Report on Form 10-K 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)) 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) 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
  - c) 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: February 13, 2004

/s/Daniel R. Coulson

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Daniel R. Coulson  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

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

Solely for the purposes of complying with 18 U.S.C. ss.1350 and Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), I, the undersigned Chairman and Chief Executive Officer of Visteon Corporation (the "Company"), hereby certify, based on my knowledge, that the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2003 (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/Peter J. Pestillo

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Peter J. Pestillo  
February 13, 2004

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

Solely for the purposes of complying with 18 U.S.C. ss.1350 and Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), I, the undersigned Executive Vice President and Chief Financial Officer of Visteon Corporation (the "Company"), hereby certify, based on my knowledge, that the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2003 (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/Daniel R. Coulson

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Daniel R. Coulson  
February 13, 2004

## RISK FACTORS

You should carefully consider each of the following risks and all of the other information included in this report and any information incorporated into this report. The risks and uncertainties described below are not the only ones facing our company. Additional risks and uncertainties, including those not presently known to us or that we currently believe to be immaterial, also may adversely affect us. Should any risks and uncertainties develop into actual events, these developments could have material adverse effects on our business, financial condition and results of operations. For these reasons, we caution you not to place undue reliance on our forward-looking statements.

WE ARE HIGHLY DEPENDENT ON FORD. OUR INABILITY TO PROVIDE COMPETITIVE QUOTES FOR NEW BUSINESS WITH FORD AND FURTHER DECREASES IN FORD'S VEHICLE PRODUCTION VOLUME WOULD ADVERSELY AFFECT OUR RESULTS.

We are highly dependent on Ford, our largest customer, which accounted for approximately 76% of our total sales in 2003, 80% of our total sales in 2002 and 82% of our total sales in 2001. Although we have begun to increase our non-Ford sales, Ford will continue to be our largest customer for the foreseeable future. On December 19, 2003, we entered into a purchase and supply agreement with Ford, providing, among other things, that Ford generally will include us on its list of suppliers for the sourcing of new business, and, to the extent that our quote is "competitive," will award the business to us. See "--Purchase and Supply Agreement." We are experiencing intense competition by existing and prospective suppliers for Ford's business, some of which have lower cost structures than ours. To the extent the quotes we provide Ford are not competitive, Ford will not be required to purchase products from us. The purchase and supply agreement with Ford further specifies the parties' intention that we grow our business from non-Ford customers. Further, Ford is currently undergoing a revitalization plan, and it may restructure its operations in a way that would be adverse to our interests.

As in the past, any change in Ford's vehicle production volume, and in particular Ford's North American production volume, will have a significant impact on our sales volume. Ford's worldwide vehicle unit sales declined approximately 0.5% from 2001 to 2002 and declined approximately 3.6% from 2002 to 2003. Further, Ford's North American vehicle unit sales declined approximately 8% from 2002 to 2003. These trends could continue, particularly as foreign-owned vehicle manufacturers strive to expand production and sales at the expense of domestic manufacturers.

UNION LABOR ARRANGEMENTS EMBEDDED IN OUR COST STRUCTURE ADVERSELY AFFECT OUR RESULTS AND COMPETITIVENESS.

A majority of our hourly workforce is unionized, our largest single union being the UAW. As a result, we incur substantially higher wage costs than our average competitor whose employees are not covered by a master UAW contract. We currently are in discussions with the UAW for the purpose of negotiating a supplement to a new Visteon-UAW collective bargaining agreement that would provide for lower wages and less-expensive benefits for future

Visteon hourly workers that are more in line with what our competitors pay. In the event the parties are unable to agree to the terms of the supplement, the Visteon-UAW collective bargaining agreement will mirror in all respects the Ford-UAW collective bargaining agreement. The supplement would only apply to new Visteon employees, and not to existing employees, who will continue to be covered by the existing Ford- UAW collective bargaining agreement.

Our labor contracts with unions, and with the UAW in particular, significantly restrict our ability to close plants and divest unprofitable, noncompetitive businesses. Our labor contracts further limit our ability to change local work rules and practices at a number of our facilities, limiting the cost-saving measures that we can implement. These restrictions and limitations have adverse effects on our results of operations and competitive position.

THE STRUCTURE OF OUR INDUSTRY, COUPLED WITH OUR DEPENDENCE ON FORD, DISADVANTAGE US IN PRICING OUR PRODUCTS AND IN REALIZING SALES FROM OUR BOOK OF BUSINESS.

The vehicle manufacturers that are our actual and potential customers are dwarfed in number by the Tier 1 and Tier 2 suppliers that are our actual and potential competitors. This industry reality, coupled with our dependence on Ford, means that we are under substantial and continuing pressure from our customers to reduce the prices of our products. We are forced to reduce prices both in the initial bidding process and during the terms of our contractual arrangements. In addition, our ability to convert awarded business into sales cannot be assured. Practical considerations such as reliable, timely supply tend to drive sourcing decisions in the automotive industry to a greater extent than legal considerations. In certain circumstances, however, under our arrangements with Ford, Ford could stop buying products from us and could refuse to award future business to us without incurring any economic loss itself. Accordingly, undue emphasis should not be placed on our book of business at any time.

WE HAVE SIGNIFICANT UNFUNDED PENSION AND OPEB OBLIGATIONS THE FUNDING OF WHICH MAY HAVE ADVERSE EFFECTS ON OUR RESULTS OF OPERATIONS AND OUR ACCESS TO CREDIT AND CAPITAL.

We have significant pension and other post-employment benefit ("OPEB") obligations to our employees and retirees. Despite significant recent concessions negotiated with Ford, our pension and OPEB obligations were underfunded by approximately \$3.4 billion at December 31, 2003, including OPEB obligations relating to Ford's plans of \$1.7 billion and other OPEB obligations of \$0.8 billion. Our ability to satisfy these funding requirements will depend on our cash flow from operations and cash balances, our ability to access the credit and capital markets, our investment returns and the discount rate used to measure our obligations. In particular, changes in interest rates and the market values of securities held by the relevant benefit plans could materially (either positively or negatively) change the underfunding of these obligations and affect the levels of our pension and OPEB expenses and required contributions. Increased underfunding could materially increase our pension and OPEB expenses, thereby harming our results of operations, and inhibiting our access to credit and capital.

WE MAY BE UNABLE TO MEET OUR FUTURE CAPITAL AND LIQUIDITY REQUIREMENTS.

A substantial amount of our cash flows from operations will be used to satisfy our unconditional purchase obligations, pension and OPEB funding obligations and principal and

interest payments on our indebtedness from time to time. As a result of these obligations, our liquidity may be adversely affected if we fail to realize our expected cash flows from operations. Our working capital requirements and cash provided by operating activities can vary greatly from quarter to quarter and from year to year, depending in part on the level, variability and timing of our customers' worldwide vehicle production and the payment terms with our customers and suppliers. Despite our expected improved performance for 2004, we cannot assure you that we will be able to satisfy our capital expenditure requirements during 2004 or subsequent years, or during any particular quarter, from cash provided by operating activities. If our working capital needs and our capital expenditure requirements exceed our cash flows from operations, cash balances and borrowings, we may need to raise additional capital, which may not be available to us on satisfactory terms and in adequate amounts. For a discussion of these and other factors affecting our liquidity, you should read "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

WE HAVE A HISTORY OF SIGNIFICANT LOSSES AND WE MAY NOT BE ABLE TO SUCCESSFULLY IMPROVE OUR PERFORMANCE OR RETURN TO PROFITABILITY.

We incurred operating losses of \$1,128 million, \$81 million and \$117 million and net losses of \$1,213 million, \$352 million and \$118 million in 2003, 2002 and 2001, respectively. Our ability to improve our performance and return to profitability is dependent on our ability to maintain operating discipline, reduce our cost structure and continue to realize on new business. We cannot assure you that we will improve our performance or return to profitability. In addition, we cannot assure you that we will be able to recover our remaining net deferred tax asset through reductions in our tax liabilities in future periods. Recovery of our net deferred tax asset depends on achieving our forecast of future taxable income. Failure to achieve our business plan targets, particularly in the U.S., may change our assessment regarding the recoverability of our net deferred tax asset and would likely result in an increase in the valuation allowance in the applicable period. Any increase in the valuation allowance would result in additional income tax expense, would reduce stockholders' equity and could have a significant impact on our earnings going forward. Further, changes to statutory tax rates, particularly in the U.S., could also affect the level of our deferred tax assets.

WE WILL EXPERIENCE CERTAIN MANAGEMENT CHANGE.

Our Executive Vice President and Chief Financial Officer, Mr. Daniel R. Coulson, has recently announced his intention to retire, and has agreed to defer his retirement temporarily as we search for a successor. Mr. Coulson is currently employed under an employment agreement that may be terminated on at least a month's notice. While we are actively conducting a search for a successor Chief Financial Officer, we cannot assure you when the search will be concluded, or the length of Mr. Coulson's tenure as our Chief Financial Officer.

OUR ABILITY TO ACCESS THE CREDIT AND CAPITAL MARKETS DEPENDS IN PART ON OUR CREDIT RATINGS. DECLINES IN OUR RATINGS HAVE DIMINISHED THAT ACCESS AND INCREASED OUR COSTS OF BORROWING, AND THESE EVENTS COULD RECUR.

Our business is highly dependent upon our ability to access the credit and capital markets. Our access to, and our costs of borrowing in, these markets depend in part on our credit ratings. In December 2003, Standard & Poor's Rating Services lowered its corporate credit rating of us to "BB+" and Moody's Investors Service, Inc. lowered our long-term rating to "Ba1." These downgrades may limit our access to the commercial paper market, which is much smaller for below-investment-grade companies than it is for investment-grade companies, and will increase our overall borrowing costs. There can be no assurance that our credit ratings will remain in effect for any given period or that these or other ratings will not decline further in the future. Further downgrades of our ratings would increase our costs of borrowing again and could imperil our liquidity.

OUR INTERNATIONAL OPERATIONS, INCLUDING OUR SUCCESSFUL ASIAN JOINT VENTURES, ARE SUBJECT TO VARIOUS RISKS THAT COULD ADVERSELY AFFECT OUR BUSINESS, RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

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

THE CYCLICALITY OF OUR INDUSTRY AFFECTS OUR RESULTS OF OPERATIONS.

Virtually all of our business relates directly to vehicle production and sales. The automotive industry is cyclical, depending on general economic conditions and other factors beyond our control such as consumer spending and preferences. The volume of vehicle production throughout the world has fluctuated, sometimes significantly, from year to year, and these fluctuations give rise to fluctuations in the demand for our products. We are particularly susceptible to cyclical declines in demand for our products because a large portion of our costs are fixed rather than variable. Any significant economic decline resulting in reduced vehicle production by our customers could have a material adverse effect on our results of operations. The recent recession and the decline in consumer confidence throughout the U.S. and much of the world continue to create uncertainty in the automotive industry, and their future impact on us is difficult to predict. Any sustained weakness in demand or continued downturn or uncertainty in the economy generally would negatively impact our results of operations.

THE SEASONALITY OF OUR BUSINESS AFFECTS OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

The automotive component supply industry is somewhat seasonal, with our net sales and earnings from operations generally increasing during the second calendar quarter of each year as a result of the automotive industry's spring selling season, which is the peak sales and production period during the year. Our net sales and earnings from operations generally decrease during July and December of each year as a result of changeovers in production lines for new model years as well as scheduled OEM plant shutdowns for vacations and holidays. In addition, third-quarter automotive production traditionally is lower as new models enter production. Thus, our third and fourth quarter results are typically lower than our first and second quarter results. Cash flow from operations is typically strongest for us in the fourth quarter, weaker in the first and second quarters.

OUR EXECUTIVES MAY HAVE CONFLICTS OF INTEREST IN NEGOTIATING WITH FORD DUE TO THEIR RELATIONSHIPS WITH FORD AND FORD EXECUTIVES AND THEIR OWNERSHIP OF FORD SECURITIES.

It may be significant, in day to day dealings with Ford, that many of our executive officers and other managers were employed by Ford, in some cases for many years, immediately before joining Visteon. Two of our five most senior executive officers retired from Ford and are receiving pension payments and other postretirement benefits from Ford. In addition, these executives own Ford equity securities, in amounts that could be significant to them, because of their prior employment relationships with Ford. Our executives' receipt of pension payments and other postretirement benefits from Ford, their ownership of Ford equity securities and their personal and professional relationships with current Ford executives could create conflicts of interest that could affect their judgment and behavior when they are faced with decisions with implications different for us than the implications are or might be for Ford.

WARRANTY CLAIMS, PRODUCT LIABILITY CLAIMS AND PRODUCT RECALLS COULD HARM OUR BUSINESS, RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

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

WE FACE SUBSTANTIAL COMPETITION, WHICH CHALLENGES US IN MANAGING OUR BUSINESS AND COULD ADVERSELY AFFECT OUR RESULTS OF OPERATIONS.

The Tier 1 segment of the automotive industry supply chain is highly competitive. Quality, delivery and price, as well as technological innovation, are the primary elements of

competition. There can be no assurance that our products will compete successfully with those of our competitors. Our competitors include component part suppliers owned by vehicle manufacturers as well as independent domestic and foreign suppliers. Some of our competitors are more diversified in product and customer mix than we are, and some are believed to have superior access to inexpensive funding. There can be no assurance that increased competition will not erode our business and harm our results of operations.

WE ARE SUBJECT TO COSTLY REGULATION, PARTICULARLY RELATIVE TO ENVIRONMENTAL AND SAFETY MATTERS, WHICH COULD ADVERSELY AFFECT OUR BUSINESS AND RESULTS OF OPERATIONS.

We are affected by a substantial number of costly regulations. In particular, we are required to comply with frequently changing and increasingly stringent requirements of federal, state and local environmental and occupational safety and health laws and regulations in the United States and other countries. In addition to being responsible for cleaning up contamination at our own sites, we are responsible or may be responsible for cleaning up contamination at the sites of others to which we are alleged to have contributed wastes or which we have agreed to remediate pursuant to federal Superfund regulations or other agreements. There is no assurance that we have been or will be at all times in compliance with applicable regulations or that we will not incur material cleanup and other costs or liabilities exceeding our reserves in the course of satisfying these requirements and responsibilities. We have made and will continue to make expenditures to comply with environmental requirements. These requirements, responsibilities and associated expenses and expenditures, if they continue to increase, could have a material adverse effect on our business and results of operations.

OUR INTELLECTUAL PROPERTY PORTFOLIO IS SUBJECT TO LEGAL AND TECHNOLOGICAL CHALLENGES.

We actively pursue technological innovation in the automotive industry and other industries. In doing so, we incur ongoing costs to enforce and defend our intellectual property. We also face increasing exposure to the claims of others for infringement of intellectual property rights. We cannot assure you that we will not incur material intellectual property claims in the future or that we will not incur significant costs or losses related to such claims. Significant technological developments by others also could materially and adversely affect our business and results of operations.

DISRUPTION IN THE SUPPLY OF MATERIALS COULD HARM OUR BUSINESS AND RESULTS OF OPERATIONS.

We use a broad range of materials and supplies, including metals, castings, chemicals and electronic components, in our products. Disruption in the supply of these materials could decrease our production and shipping levels, increase our operating costs and thereby harm our profit margins.

WORK STOPPAGES OR SIMILAR DIFFICULTIES COULD SIGNIFICANTLY DISRUPT OUR OPERATIONS.

Work stoppages occur with relative frequency in the automotive industry. A work stoppage at one or more of our plants could have material adverse effects on us. Also, if one or more of our customers were to experience a work stoppage, that customer would likely halt or limit purchases of our products. That could cause us to shut down manufacturing facilities relating to those products, which could have material adverse effects on our business, results of

operations and financial condition. A work stoppage at one of our suppliers could have similar consequences if an alternative source of supply were not readily available. Stoppages by employees of our customers or suppliers also could result in reduced demand for our products.

OUR BUSINESS AND RESULTS OF OPERATIONS COULD BE AFFECTED ADVERSELY BY TERRORISM.

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

DELAYS IN CREATING A SEPARATE INFORMATION TECHNOLOGY ENVIRONMENT COULD HARM OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION .

Since our spin-off from Ford, Ford has provided us with many transition services, including information technology services. We are in the process of creating a separate IT environment for nearly all of our major functions using the services of, and pursuant to an outsourcing agreement with, IBM. This process requires the cooperation and assistance of Ford and outside service providers as we replicate certain Ford systems and adapt them for our use. In addition, we are building a new facility that will require the relocation of the majority of our central executive, administrative and engineering functions. We expect to substantially complete these actions during 2004. However, a material delay in the completion of these actions could cause a disruption to our operations or financial reporting processes, which would have a temporary adverse affect on our results of operations and financial condition.

PROVISIONS IN OUR SUPPLY AGREEMENT WITH FORD AND OTHER ARRANGEMENTS IN OUR AUTHORIZED CAPITAL AND GOVERNANCE STRUCTURE COULD DISCOURAGE, DELAY OR PREVENT A CHANGE IN CONTROL OF OUR COMPANY, WHICH COULD ADVERSELY AFFECT THE PRICE OF OUR COMMON STOCK AND CAUSE THE HOLDERS OF OUR COMMON STOCK NOT TO RECEIVE A PREMIUM THAT A POTENTIAL ACQUIRER MIGHT OTHERWISE PAY FOR THE SHARES.

Our supply agreement with Ford can be terminated by Ford if 35% or more of our voting shares become owned or controlled by a competitor of Ford in the business of manufacturing automotive vehicles. Termination of this agreement would likely have material adverse effects on our business, results of operations and financial condition. In addition, we are authorized to issue preferred stock the terms of which can be determined by our board of directors without action by our stockholders. The terms of a series of preferred stock could include voting rights or economic rights (or both) superior to the rights of holders of our common stock. We have a classified board of directors, meaning that only a minority of the directors stand for election in any given year (and are elected for three-year terms). We also are subject to the provisions of Section 203 of the Delaware General Corporation Law, prohibiting us from engaging in a business combination with an interested stockholder for three years from the date of the transaction in which the person became an interested stockholder unless the combination is approved in the manner prescribed by that statute. Our supply agreement with Ford, our authority to issue "blank check" preferred stock, our classified board and the anti-takeover provisions of applicable Delaware law may have the effect, individually or collectively, of discouraging, delaying or preventing a change in control of the company, adversely affecting the price of our common stock and causing the holders of our common stock not to receive a premium that a potential acquirer might otherwise pay for the shares.