VISTEON CORP
Form 10-K
February 25, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
(Mark One)
þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____________ to ____________
Commission file number 001-15827
VISTEON CORPORATION
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| State of Delaware | 38-3519512 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| One Village Center Drive, Van Buren Township, Michigan | 48111 |
| (Address of principal executive offices) | (Zip code) |

Registrant’s telephone number, including area code: (800)-VISTEON
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 $0.01 per share | New York Stock Exchange |

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

Warrants, each exercisable for one share of Common Stock at an exercise price of $9.66 (expiring October 1, 2020)
(Title of class)
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ü No __
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.
Yes __ No ü
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ü No__
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ü No __
Indicate by check mark 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. ü
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer," "accelerated filer” and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates of the registrant on June 30, 2015 (the last business day of the most recently completed second fiscal quarter) was approximately $4 billion.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ü No__

As of February 19, 2016, the registrant had outstanding 38,864,913 shares of common stock.

Document Incorporated by Reference

| Document | Where Incorporated |
|---|---|
| 2016 Proxy Statement | Part III (Items 10, 11, 12, 13 and 14) |

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Visteon Corporation and Subsidiaries
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Part I

Item 1. Business

Description of Business

Visteon Corporation (the "Company" or "Visteon") is a global automotive supplier that designs, engineers and manufactures innovative electronics products for nearly every original equipment vehicle manufacturer ("OEM") worldwide including Ford, Nissan, Renault, Mazda, BMW, General Motors and Honda. Visteon is headquartered in Van Buren Township, Michigan and has an international network of manufacturing operations, technical centers and joint venture operations, supported by approximately 11,000 employees, dedicated to the design, development, manufacture and support of its product offerings and its global customers. The Company's manufacturing and engineering footprint is principally located outside of the U.S., with a heavy concentration in low-cost geographic regions.

Visteon provides value for its customers and stockholders through its technology-focused vehicle cockpit electronics business, by delivering a rich, connected cockpit experience for every car from luxury to entry. The Company's cockpit electronics business is one of the broadest portfolios in the industry and includes audio systems, information displays, instrument clusters, head up displays, infotainment systems, and telematics solutions. The Company's cockpit electronics business comprises and is reported under the Electronics segment. In addition to the Electronics segment, the Company has residual operations in South America and Europe previously associated with the Interiors and Climate businesses but not subject to discontinued operations classification that comprise Other.

The pie charts below highlight the sales breakdown for Visteon's Electronics segment for the year ended December 31, 2015.

The Company’s History

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

During the latter part of 2008 and through 2009, weakened economic conditions, largely attributable to the global credit crisis, and erosion of consumer confidence, triggered a global economic recession that negatively impacted the automotive sector. On May 28, 2009, the Company and many of its domestic subsidiaries filed voluntary petitions for reorganization relief under the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware in response to the resulting sudden and severe declines in global automotive production and the related adverse impact on the Company’s cash flows and liquidity. On August 31, 2010, the bankruptcy court entered an order confirming the plan of reorganization and the Company emerged from bankruptcy on October 1, 2010.

In September 2012, the Company announced a comprehensive shareholder value creation plan founded on the pillars of industrial logic, customer focus and financial discipline. The primary objectives of the comprehensive shareholder value creation plan included the following:

- Interiors Exit - During 2009 the Company exited its Interiors businesses in North America leaving a solid and capable regional business, but one without a complete global footprint. Subsequently, the Company determined that the remainder of its Interiors business was not aligned with its long-term strategic goals and set out to explore various alternatives for exit including, but not limited to, divestiture, partnership or alliance.

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- Climate Consolidation - Historically, the Company's Climate operations were comprised of Halla Climate Control Corporation ("Halla"), a 70% owned and consolidated Korean subsidiary, and a series of wholly-owned Visteon Climate operations and other Visteon Climate joint ventures. To enhance the efficiency of its investments in global Climate assets, the Company endeavored to consolidate the ownership of its Climate businesses under a single ownership structure thus achieving operational synergies, improved global scale and common business practices.
- Electronics Optimization - Historically, the Company's investment in its Electronics business was sub-optimized. The Company focused its strategy on vehicle cockpit electronics and commenced efforts to expand the size and scale of its capabilities to deliver innovative audio, infotainment, cluster and display products to OEM customers and to position the business to capitalize on rapidly changing consumer-driven technologies in a connected car landscape.
- Strengthen the Balance Sheet - Following emergence from bankruptcy, the Company's balance sheet continued to carry a significant amount of indebtedness, including substantial employee retirement benefit obligations. Servicing these debts and reducing the associated carrying costs and economic risks were identified as priorities.
- Enhance Shareholder Returns - The Company also declared its intent to make shareholder returns a priority.

Interiors Exit

In May 2014 Visteon reached an agreement to divest substantially all of its global Interiors business (the "Interiors Divestiture") pursuant to a Master Purchase Agreement, as subsequently amended (the “Purchase Agreement”). Effective November 1, 2014, the Company closed on the majority of the Interiors Divestiture (the "Master Closing"). Subsequent to the Master Closing, Visteon completed the sale of interiors operations in India and Thailand on December 1, 2014 and February 2, 2015, respectively. Remaining interiors operations subject to the Interiors Divestiture, which are located in Argentina and Brazil, are expected to close in 2016.

In June 2015, the Company completed the sale of its 12.5% ownership interest in Yangfeng Visteon Jinqiao Automotive Trim Systems Co., Ltd., a Chinese automotive supplier for proceeds of approximately $91 million and recorded a pre-tax gain of $62 million. The sale of this joint venture is a final step of the Company's 2013 Master Agreement (the “Master Agreement”) with Huayu Automotive Systems Company Limited (“HASCO”), Yanfeng Visteon Automotive Trim Systems Co., Ltd. (“Yanfeng”) and Yanfeng Visteon Automotive Electronics Co., Ltd. (“YFVE”) to sell its ownership in interiors related joint ventures, the vast majority of which was completed during the fourth quarter of 2013.

On December 1, 2015, Visteon completed the sale and transfer of its equity ownership in Visteon Deutschland GmbH, which operated the Berlin, Germany interiors plant ("Germany Interiors Divestiture") . The Company contributed cash of approximately $141 million, assets of $27 million, and liabilities of $198 million, including pension related liabilities. The Company will make a final contribution payment of approximately $30 million by November 2016 included in the Company's consolidated balance sheet as "Other current liabilities" as of December 31, 2015. The Company recognized a pre-tax loss on divestiture of $105 million related to foreign currency translation and pension benefit plan amounts previously recorded in accumulated other comprehensive loss.

Climate Consolidation and Sale

During 2013, the ownership structure of Visteon’s thermal energy management businesses was changed in connection with the sale of certain of Visteon climate subsidiaries, joint venture investments and related intellectual properties to Halla (“Climate Consolidation”). With effect from February 1, 2013, the climate business as combined under Halla operated as Halla Visteon Climate Control Corporation, a Korean corporation (“HVCC”). Visteon held an approximate 70% controlling ownership interest in HVCC, headquartered in South Korea. The Climate Consolidation qualified as a common control transaction.

On June 9, 2015, Visteon completed the sale to Hahn & Co. Auto Holdings Co., Ltd. (“Hahn”) and Hankook Tire Co., Ltd. (“Hankook” and, together with Hahn, the “Purchasers”) of all of its shares of HVCC, for approximately $3.4 billion, or KRW 52,000 per share after adjusting for the 2014 dividend paid by HVCC to Visteon (the “Climate Transaction”), pursuant to and in accordance with the Share Purchase Agreement, dated as of December 17, 2014 (the “Purchase Agreement”), among Visteon and the Purchasers. The Company received net cash proceeds of approximately $2.7 billion and recognized a pre-tax gain of approximately $2.3 billion in connection with the closing of the Climate Transaction in June, 2015.

Electronics Optimization

On November 7, 2013 and in connection with the Yanfeng Transactions, Visteon made a cash payment of $58 million to subscribe to an additional 11% ownership interest in YFVE. This step acquisition increased Visteon's direct ownership interest in YFVE from a non-controlling 40% direct ownership interest to a controlling 51% direct ownership interest.

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Effective July 1, 2014 Visteon acquired substantially all of the global automotive electronics business of Johnson Controls Inc. for the aggregate purchase price of $299 million funded with cash on hand, including $31 million of cash and equivalents at the acquired business (the "Electronics Acquisition"). The Electronics Acquisition is expected to enhance Visteon's competitive position in the fast-growing vehicle cockpit electronics segment by strengthening its global scale, manufacturing and engineering footprint, product portfolio and customer penetration. Sales for the acquired business were approximately $1.3 billion for the annual period ended September 30, 2013.

On January 12, 2016, Visteon entered into a share purchase agreement to acquire all shares of AllGo Systems, Inc., USA ("AllGo Systems") for initial consideration of $15 million and contingent consideration of $7 million, expected to close during the first half of 2016. AllGo Systems, is a leading developer of embedded multimedia system solutions to global vehicle manufacturers. The acquisition further strengthens the Company's technological capabilities as it develops the next generation infotainment products.

Strengthen the Balance Sheet

During 2012 the Company offered an accelerated pension payment program to most of its U.S. deferred vested defined benefit plan participants, whereby such participants could elect to receive a single lump sum payout. Approximately 70% of eligible participants elected to receive a single lump sum payout resulting in a reduction of the Company's U.S. retirement plan obligations of $408 million and a reduction in plan assets of $301 million, respectively.

On July 16, 2014, the Company entered into an agreement to transfer approximately $350 million of U.S. pension assets to Prudential Insurance Company of America, to settle approximately $350 million of its U.S. outstanding pension obligation. As a result, the Company substantially lowered the related economic volatility associated with the pension obligation.

On June 12, 2015, the Company utilized Climate Transaction proceeds to pay down $246 million of term loan principal on June 12, 2015 to reduce aggregate principal amount of Term Loans outstanding to $350 million.

Enhance Shareholder Returns

In July 2012, the board of directors authorized the repurchase of up to $100 million of the Company's common stock. During 2012, the Company repurchased 1,005,559 shares of its outstanding common stock at an weighted average price of $49.72 per share, excluding commissions, for the aggregate purchase price of $50 million. In January 2013, the board of directors authorized an increase of share repurchase amount by an additional $200 million and brought the total share repurchase authorization to $300 million. In March 2013, the Company entered into an accelerated stock buyback ("ASB") program with a third-party financial institution to purchase shares of common stock for an aggregate purchase price of $125 million. The program concluded in April 2013 and the Company received 2,209,078 shares in total. The final settlement price for all shares delivered under the program was $56.58.

In August 2013, the Company's board of directors raised the authorization of its remaining share repurchase program from $125 million to $1 billion over the next two years. The Company entered into another ASB program in August 2013 with a third-party financial institution to purchase shares of common stock for an aggregate purchase price of $125 million. This program concluded in December 2013 and the Company received 1,676,900 shares in total. The final settlement price for all shares delivered under the program was $74.54.

In May 2014, the Company announced another ASB program with a third-party financial institution to purchase shares of common stock for an aggregate purchase price of $500 million. Under the program, the Company paid the financial institution $500 million and received an initial delivery of 3,394,157 shares of common stock using a reference price of $92.07, and an additional delivery of 1,129,001 shares of common stock following the conclusion of the hedge period which determined a certain minimum amount of shares guaranteed under a portion of the program that had a maximum per share price of $100.54. On October 15, 2014, the capped portion of the program concluded, and the Company received an additional 112,269 shares. The final settlement price for all shares delivered under the capped portion of the program was $96.19. On May 1, 2015, the uncapped portion of the program concluded, and the Company received an additional 534,214 shares. The final settlement price for all shares delivered under the uncapped portion of the program was $97.25.

On June 11, 2015, the Company's board of directors authorized an additional $125 million of share repurchase for a total of $500 million available for share repurchase. On June 15, 2015, the Company entered into another ASB program with a third-party financial institution to purchase shares of common stock for an aggregate purchase price of $500 million. Under the program, the Company paid the financial institution $500 million and received an initial delivery of 3,712,297 shares of common stock, which

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is approximately 80% of the total number of shares of the Company's common stock expected to be repurchased under the ASB Agreement based on the closing price of the Company's common stock on June 15, 2015. In December 2015, the program concluded and the Company received an additional 1,058,965 shares. The final settlement price for all shares delivered under this 2015 ASB program was $104.79.

On December 9, 2015, the Company's board of directors approved a special distribution of $43.40 per share of its common stock outstanding as of January 15, 2016, or approximately $1.75 billion in the aggregate, payable on January 22, 2016, and authorized a share repurchase program to repurchase up to $500 million of its shares of common stock through December 31, 2016.

On December 16, 2015, the Company entered into a stock repurchase agreement with a third party financial institution to purchase shares of its common stock complying with the provisions of Rule 10b5-1 and Rule 10b-18 under the Securities Exchange Act of 1934 ("10b5-1 Share Repurchase Program"). The new 10b5-1 Share Repurchase Program is open until March 1, 2016 with the maximum purchase amount of $150 million, net of commissions. Under this program, the third-party financial institution will repurchase the Company's shares at the prevailing market prices pursuant to specified share price and daily volume limits. As of February 19, 2016,  the Company has paid $84 million to repurchase 1,307,500 of shares at an average price of $64.06.

Approximately $1.74 billion of the Company's cash equivalents and short-term investments, including separately managed accounts, have been liquidated on or about January 19, 2016 to fund the special distribution paid on January 22, 2016.

Strategic Imperatives

After completing the most critical milestones of the Company's transformation plan laid out during the latter half of 2012, Visteon is now a technology-focused, pure-play supplier of automotive cockpit electronics and connected car solutions. The Company has laid out the following three strategic imperatives for 2016 and beyond:

- Strengthen the Core - Visteon offers technology and related manufacturing operations for audio, head-up displays, information displays, infotainment, instrument clusters and telematics products. The Company's backlog, defined as cumulative remaining life of program booked sales, is approximately $15.2 billion as of December 31, 2015, or 4.9 times 2015 sales, reflecting a strong booked sales base on which to launch future growth.

- Move Selectively to Adjacent Products - As consumer demand continues to evolve with an increase of electronics content per vehicle, the Company strives to further develop expertise in the areas of cockpit domain controllers, next generation safety applications, and vehicle cyber security. These areas require assessment as consumer needs shift and related products complement Visteon's core products.

- Deliver Cost Efficiencies - Visteon core business financial results continue to improve with Adjusted EBITDA margin for electronics and corporate of 9.5% in 2015 compared with 7.2% in 2014. The Company expects to deliver cost efficiencies by achieving selling, general and administrative and engineering efficiencies, improving free cash flow, optimizing its capital structure and driving savings benefits as revenues grow.

The Company's Industry

The Company operates in the automotive industry, which is cyclical and highly sensitive to general economic conditions. The Company believes that future success in the automotive industry is, in part, dependent on alignment with customers to support their efforts to effectively meet the challenges associated with the following significant trends and developments in the global automotive industry.

- Emissions and safety - Governments continue to focus regulatory efforts on cleaner and safer transportation with the objective of securing individual mobility. Accordingly, OEMs are working to lower average vehicle emissions by developing a more diverse range of vehicles including those powered by hybrid technologies, alternative fuels, and electricity. OEMs are also working to improve occupant and pedestrian safety by incorporating more safety oriented content in their vehicles. Suppliers must enable the emissions and safety initiatives of their customers including the development of new technologies.

- Electronic content and connectivity - The electronic content of vehicles continues to increase due to various regulatory requirements and consumer demand for increased vehicle performance and functionality. The use of electronic components can reduce weight, expedite assembly, enhance fuel economy, improve emissions, increase safety and enhance vehicle performance. Additionally, digital and portable technologies have dramatically influenced the lifestyle of today’s consumers who expect products that enable such a lifestyle. This requires increased electronic and technical content such as in-vehicle communication, navigation and entertainment capabilities. While OEMs are taking different paths to connect their vehicles

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to high-speed broadband internet connections in the short-term, future vehicles are expected to be built with vehicle-to-vehicle connectivity systems.

- Vehicle standardization - OEMs continue to standardize vehicle platforms on a global basis, resulting in a lower number of individual vehicle platforms, design cost savings and further scale of economies through the production of a greater number of models from each platform. Having operations in the geographic markets in which OEMs produce global platforms enables suppliers to meet OEMs' needs more economically and efficiently, thus making global coverage a source of significant competitive advantage for suppliers with a diverse global footprint. Additionally, OEMs are looking to suppliers for increased collaboration to lower costs, reduce risks, and decrease overall time to market. Suppliers that can provide fully-engineered solutions, systems and pre-assembled combinations of component parts are positioned to leverage the trend toward system sourcing.

## Financial Information about Segments

The Company's operating structure is organized by global product group, including Electronics and Other. These global product groups have financial and operating responsibility over the design, development and manufacture of the Company's product portfolio. The Company's reportable segments are as follows:

- Electronics - The Company's Electronics segment provides vehicle cockpit electronics products to customers, including audio systems, information displays, instrument clusters, head up displays, infotainment systems, and telematics solutions.
- Other - Other includes entities located in Europe previously associated with the Interiors business but not subject to the Interiors Divestiture. Other also includes entities in South America and South Africa previously associated with the Climate business but not subject to the Climate Transaction.

Further information relating to the Company's reportable segments can be found in Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K (Note 22, "Segment Information," to the Company's consolidated financial statements).

## The Company's Products

The Company designs and manufacturers vehicle cockpit electronics components, modules and systems further described as follows:

### Audio Systems

The Company offers a range of audio products, including audio head units, amplifiers and analog and digital radios, which deliver consumer device connectivity. Visteon's OpenAir® brand of premium connected audio products is based on open architecture, human machine interaction ("HMI") command and control, and wireless communication. These products are designed to allow vehicle occupants to easily connect their mobile devices to the built-in display to safely access phone functions, listen to music, stream media and enable CarPlay, Android Auto and Baidu Carlife.

### Information Displays

The Company offers a range of information displays incorporating a sleek profile, craftsmanship and touch sensors, designed to deliver high performance for the automotive market. These displays can integrate a range of user interface technologies and graphics management capabilities, such as dual view and dual organic light-emitting diode ("OLED") displays.

### Instrument Clusters

The Company offers a full line of instrument clusters, from standard analog gauge clusters to high-resolution, fully configurable, display-based devices. These support all vehicle segments, including motorcycles.  These clusters can use a wide range of display technologies, graphic capabilities and decorative elements, including OLED, free-form and curved displays. Premium clusters, marketed under the brand LightScape®, support complex 3-D graphics and video features such as driver awareness and camera inputs.

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Head-Up Displays

The Company provides a complete line of head-up displays ("HUD") that present critical information to the driver in a convenient location and at a comfortable focal distance. Combiner HUD projects a virtual image in front of the driver using a compact, transparent screen mounted on top of the instrument panel. Windshield HUD projects the image directly on the vehicle windscreen.

Infotainment Systems

The Company offers a range of infotainment products, based on Open Software Standards technology. These systems are designed to provide embedded content, a driver-centric user interface and cyber security. New features and content are provided by secure over-the-air software upgrades. Built on a scalable platform, Visteon's OpenAir® premium infotainment system provides extensible HMI using an intelligent application interface and advanced mobile device connectivity, along with advanced driver assistance systems ("ADAS") and driver monitoring integration.

Telematics Solutions

The Company provides a cost-optimized telematics control unit to enable secure connected car services, software updates and data. The Company's telematics solution uses a single hardware and flexible software architecture to support regional telematics service providers and mobile networks. The Company's wireless gateway platform is designed to meet future connectivity requirements including 4G, V2X, Wi-Fi® and next-generation mobile standards such as 5G.

SmartCore™

The Company offers a security-focused approach to cockpit module consolidation that addresses the increasing complexity of cockpit electronics to improve the driving experience. SmartCore™ combines previously separate modules such as instrument cluster, infotainment, head-up display and advanced driver assistance solution domains on a single-module multi domain controller. Using a holistic view of value, this solution considers the total cost of ownership. It meets the needs of vehicle segments through a scalable and flexible framework.

The Company's Customers

The Company sells its products primarily to global vehicle manufacturers including Ford, Nissan, Renault, Mazda, BMW, General Motors and Honda. Ford, Mazda and Nissan/Renault are the Company's largest customers and in 2015 accounted for sales of approximately 34%, 16% and 14%, respectively. In 2014 and 2013 Ford accounted for 41% and 52%, respectively, Nissan and Mazda individually accounted for less than ten percent of Visteon sales for both 2014 and 2013.

The Company records revenue when persuasive evidence of an arrangement exists, delivery occurs or services are rendered, the sales price or fee is fixed or determinable and collectibility is reasonably assured. Price reductions are typically negotiated on an annual basis between suppliers and OEMs. 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 manufacturing productivity enhancements, material cost reductions and design-related cost improvements. The Company has an aggressive cost reduction program that focuses on reducing its total costs, which are intended to offset customer price reductions. However, there can be no assurance that the Company's cost reduction efforts will be sufficient to fully offset such price reductions. The Company records price reductions when probable and reasonably estimable.

The Company's Competition

The automotive sector is concentrated, but operates under highly competitive conditions resulting from the globalized nature of the industry, high fixed costs and the resulting need for scale economies, market dynamics including share in mature economies and positioning in emerging economies, and the low cost of switching for the end consumer. Accordingly, OEMs rigorously evaluate suppliers on the basis of financial viability, product quality, price competitiveness, technical expertise and development capability, new product innovation, reliability and timeliness of delivery, product design and manufacturing capability and flexibility, customer service and overall management. The Company's primary independent competitors include Alpine Electronics, Continental AG, Delphi Automotive PLC, Denso Corporation, Harman International, Nippon Seiki, Panasonic Corporation, Pioneer Corporation, and Robert Bosch GmbH.

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The Company’s Product Sales Backlog

During the year ended December 31, 2015, the Company modified its backlog definition to represent cumulative remaining life-of-program expected net sales, launching in future periods. The Company’s Electronics segment backlog was $15.2 billion as of December 31, 2015, compared to $14.1 billion as of December 31, 2014, reflecting an increase of 8%. The Company’s estimated net sales may be impacted by various assumptions, including new program vehicle production levels, customer price reductions, currency exchange rates and program launch timing. In addition, the Company typically enters into customer agreements at the beginning of a vehicle life cycle with the intent to fulfill purchasing requirements for the entire vehicle production life cycle. These agreements may be terminated by customers at any time and, accordingly, expected net sales information does not represent firm orders or firm commitments.

Seasonality and Cyclicality of the Company’s Business

Historically, the Company’s business has been moderately seasonal because its largest North American customers typically cease production for approximately two weeks in July for model year changeovers and approximately one week in December during the winter holidays. Customers in Europe historically shut down vehicle production during a portion of August and one week in December. In China, customers typically shut down during one week in early October and one week in January or February. Additionally, third quarter automotive production traditionally is lower as new vehicle models enter production.

However, the market for vehicles is cyclical and is heavily dependent upon general economic conditions, consumer sentiment and spending and credit availability. During 2009, the automotive sector was negatively impacted by global economic instability and the lack of available credit. The severity of the decline in 2009 was masked by numerous government stimulus programs and significant growth in certain emerging automotive markets, which caused vehicle production volumes to vary from historical patterns.

The Company’s Workforce and Employee Relations

The Company’s workforce as of December 31, 2015 included approximately 11,000 persons, of which approximately 5,000 were salaried employees and 6,000 were hourly workers. Many of the Company’s employees are members of industrial trade unions and confederations within their respective countries, including Europe, Asia and South America. Many of these organizations operate under collectively bargained contracts that are not specific to any one employer. The Company constantly works to establish and maintain positive, cooperative relations with its unions and work representatives around the world and believes that its relationships with unionized employees are satisfactory. The Company experienced work stoppages of varying lengths in Europe, South America and Asia during the past three years. These stoppages primarily were either national in nature, aimed at customers or were in anticipation of Company restructuring activities at particular facilities.

The Company’s Product Research and Development

The Company’s research and development efforts are intended to maintain leadership positions in core products and provide the Company with a competitive edge as it seeks additional business with new and existing customers. The Company also works with technology development partners, including customers, to develop technological capabilities and new products and applications. Total research and development expenditures, net of recoveries were approximately $294 million in 2015, $257 million in 2014, and $148 million in 2013.

The Company’s Intellectual Property

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

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

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The Company’s Raw Materials and Suppliers

Raw materials used by the Company in the manufacture of its products include resins, copper, precious metals, steel and electronics components. All of the materials used are generally available from numerous sources. In general, the Company does not carry inventories of raw materials in excess of those reasonably required to meet production and shipping schedules. As of December 31, 2015 the Company had not experienced any other significant shortages of raw materials. The Company monitors its supply base and endeavors to work with suppliers and customers to attempt to mitigate the impact of potential material shortages and supply disruptions. While the Company does not anticipate any significant interruption in the supply of raw materials, there can be no assurance that sufficient sources or amounts of all necessary raw materials will be available in the future.

The automotive supply industry is subject to inflationary pressures with respect to raw materials which have historically placed operational and financial burdens on the entire supply chain. Accordingly, the Company continues to take actions with its customers and suppliers to mitigate the impact of these inflationary pressures in the future. Actions to mitigate inflationary pressures with customers include collaboration on alternative product designs and material specifications, contractual price escalation clauses and negotiated customer recoveries. Actions to mitigate inflationary pressures with suppliers include aggregation of purchase requirements to achieve optimal volume benefits, negotiation of cost reductions and identification of more cost competitive suppliers. While these actions are designed to offset the impact of inflationary pressures, the Company cannot provide assurance that it will be successful in fully offsetting increased costs resulting from inflationary pressures.

Impact of Environmental Regulations on the Company

The Company is subject to the requirements of federal, state, local and foreign environmental and occupational safety and health laws and regulations. These include laws regulating air emissions, water discharge and waste management. The Company is also subject to environmental laws requiring the investigation and cleanup of environmental contamination at properties it presently owns or operates and at third-party disposal or treatment facilities to which these sites send or arranged to send hazardous waste. The Company makes capital expenditures in the normal course of business as necessary to ensure that its facilities are in compliance with applicable environmental laws and regulations. For 2015, capital expenditures associated with environmental compliance were not material nor did such expenditures have a materially adverse effect on the Company’s earnings or competitive position. The Company does not anticipate that its environmental compliance costs will be material in 2016.

The Company is aware of contamination at some of its properties. The Company is in various stages of investigation and cleanup at these sites and at December 31, 2015, has recorded a reserve of less than $1 million for this environmental investigation and cleanup. However, estimating liabilities for environmental investigation and cleanup is complex and dependent upon a number of factors beyond the Company’s control and which may change dramatically. Accordingly, although the Company believes its reserve is adequate based on current information, the Company cannot provide any assurance that its ultimate environmental investigation and cleanup costs and liabilities will not exceed the amount of its current reserve.

The Company’s International Operations

Financial information about sales and net property by major geographic region can be found in Note 22, Segment Information, included in Item 8 “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K. The attendant risks of the Company’s international operations are primarily related to currency fluctuations, changes in local economic and political conditions, and changes in laws and regulations. The following table sets forth the Company’s sales and net property and equipment by geographic region as a percentage of such consolidated total amounts.

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| | Sales | | | Property and Equipment, Net | |
|---|---|---|---|---|---|
| | Year Ended December 31 | | | December 31 | |
| | 2015 | 2014 | 2013 | 2015 | 2014 |
| United States | 26 % | 29 % | 31 % | 4 % | 7 % |
| Mexico | 2 % | 2 % | 2 % | 17 % | 16 % |
| Total North America | 28 % | 31 % | 33 % | 21 % | 23 % |
| Portugal | 13 % | 18 % | 26 % | 16 % | 14 % |
| Slovakia | 8 % | 5 % | — % | 8 % | 7 % |
| Germany | 3 % | 4 % | 7 % | 1 % | 5 % |
| Tunisia | 6 % | 4 % | — % | 4 % | 4 % |
| France | 4 % | 3 % | — % | 7 % | 9 % |
| Hungary | — % | — % | 4 % | — % | — % |
| Other Europe | 3 % | 3 % | 3 % | 4 % | 5 % |
| Intra-region eliminations | (2 )% | (2 )% | (2 )% | — % | — % |
| Total Europe | 35 % | 35 % | 38 % | 40 % | 44 % |
| China | 21 % | 22 % | 5 % | 20 % | 16 % |
| Japan | 15 % | 9 % | 7 % | 3 % | 3 % |
| Thailand | 3 % | 2 % | 4 % | 3 % | 1 % |
| India | 2 % | 3 % | 3 % | 7 % | 6 % |
| Korea | 1 % | 1 % | 1 % | — % | — % |
| Intra-region eliminations | (5 )% | (3 )% | (1 )% | — % | — % |
| Total Asia | 37 % | 34 % | 19 % | 33 % | 26 % |
| South America | 4 % | 7 % | 13 % | 6 % | 7 % |
| Inter-region eliminations | (4 )% | (7 )% | (3 )% | — % | — % |
| | 100 % | 100 % | 100 % | 100 % | 100 % |

The Company’s Website and Access to Available Information

The Company’s current and periodic reports filed with the United States Securities and Exchange Commission (“SEC”), including amendments to those reports, may be obtained through its internet website at www.visteon.com free of charge as soon as reasonably practicable after the Company files these reports with the SEC. A copy of the Company’s code of business conduct and ethics for directors, officers and employees of Visteon and its subsidiaries, entitled “Ethics and Integrity Policy,” the Corporate Governance Guidelines adopted by the Company’s Board of Directors and the charters of each committee of the Board of Directors are also available on the Company’s website. A printed copy of the foregoing documents may be requested by contacting the Company’s Investor Relations department in writing at One Village Center Drive, Van Buren Township, MI 48111; by phone (734) 710-5800; or via email at investor@visteon.com.

Item 1A. Risk Factors

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

The automotive industry is cyclical and significant declines in the production levels of the Company’s major customers could reduce the Company’s sales and harm its profitability.

Demand for the Company's products is directly related to the automotive vehicle production of the Company's major customers. Automotive sales and production is cyclical and can be affected by general economic or industry conditions, labor relations issues, fuel prices, regulatory requirements, government initiatives, trade agreements, the cost and availability of credit and other factors. Automotive industry conditions in North America and Europe have been and continue to be extremely challenging. In North America, the industry is characterized by significant overcapacity and fierce competition. In Europe, the market structure is more fragmented with significant overcapacity and declining sales. While Asia continues to grow, the rate of growth is expected to decline.



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The discontinuation of, loss of business or lack of commercial success, with respect to a particular vehicle model for which the Company is a significant supplier could reduce the Company’s sales and harm its profitability.

Although the Company has purchase orders from many of its customers, these purchase orders generally provide for the supply of a customer’s annual requirements for a particular vehicle model and assembly plant, or in some cases, for the supply of a customer’s requirements for the life of a particular vehicle model, rather than for the purchase of a specific quantity of products. In addition, it is possible that customers could elect to manufacture components internally that are currently produced by outside suppliers, such as the Company. The discontinuation of, the loss of business with respect to or a lack of commercial success of a particular vehicle model for which the Company is a significant supplier, could reduce the Company’s sales and harm the Company’s profitability.

The Company is highly dependent on Ford Motor Company and decreases in such customers’ vehicle production volumes would adversely affect the Company.

Ford is one of the Company’s largest customers and accounted for 34% of sales in 2015, 41% of sales in 2014, and 52% of sales in 2013. Accordingly, any change in Ford's vehicle production volumes will have a significant impact on the Company’s sales volume and profitability.

The Company's inability to effectively manage the timing, quality and costs of new program launches could adversely affect its financial performance.

In connection with the award of new business, the Company often obligates itself to deliver new products and services that are subject to its customers’ timing, performance and quality standards. Additionally, as a Tier 1 supplier, the Company must effectively coordinate the activities of numerous suppliers in order to launch programs successfully. Given the complexity of new program launches, especially involving new and innovative technologies, the Company may experience difficulties managing product quality, timeliness and associated costs. In addition, new program launches require a significant ramp up of costs; however, the sales related to these new programs generally are dependent upon the timing and success of the introduction of new vehicles by the Company's customers. The Company's inability to effectively manage the timing, quality and costs of these new program launches could adversely affect its financial condition, operating results and cash flows.

The Company must continue to develop, introduce and achieve market acceptance of new and enhanced products in order to grow its sales in the future.
The growth of the Company's business will be dependent on the demand for innovative automotive electronics products. In order to increase sales in current markets and gain entry into new markets, the Company must innovate to maintain and improve existing products, while successfully developing and introducing distinctive new and enhanced products that anticipate changing customer and consumer preferences and capitalize upon emerging technologies. However, the Company may experience difficulties that delay or prevent the development, introduction or market acceptance of its new or enhanced products. Furthermore, competitors may develop and introduce technologies that gain greater customer or consumer acceptance, which could adversely affect the future growth of the Company.

Escalating price pressures from customers may adversely affect the Company’s business.

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

The Company's substantial international operations make it vulnerable to risks associated with doing business in foreign countries.

As a result of the Company's global presence, a significant portion of the Company's revenues and expenses are denominated in currencies other than the U.S. dollar. In addition, the Company has manufacturing and distribution facilities in many foreign



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countries, including countries in Europe, Central and South America and Asia. International operations are subject to certain risks inherent in doing business abroad, including:

- local economic conditions, expropriation and nationalization, foreign exchange rate fluctuations and currency controls;
- withholding and other taxes on remittances and other payments by subsidiaries;
- investment restrictions or requirements;
- export and import restrictions; and
- increases in working capital requirements related to long supply chains.

Expanding the Company's business in Asia and Europe and enhancing the Company's business relationships with Asian and European automotive manufacturers worldwide are important elements of the Company's long-term business strategy. In addition, the Company has invested significantly in joint ventures with other parties to conduct business in Russia, China and elsewhere in Asia. The Company's ability to repatriate funds from these joint ventures depends not only upon their uncertain cash flows and profits, but also upon the terms of particular agreements with the Company's joint venture partners and maintenance of the legal and political status quo. As a result, the Company's exposure to the risks described above is substantial. The likelihood of such occurrences and its potential effect on the Company vary from country to country and are unpredictable. However, any such occurrences could be harmful to the Company's business and the Company's profitability and financial condition.

The Company could be negatively impacted by the distress of its supplier or other shortages.

In an effort to manage and reduce the costs of purchased goods and services, the Company, like many suppliers and automakers, has been consolidating its supply base. In addition, certain materials and components used by the Company are in high demand but of limited availability. As a result, the Company is dependent on single or limited sources of supply for certain components used in the manufacture of its products. The Company selects its suppliers based on total value (including price, delivery and quality), taking into consideration production capacities and financial condition. However, there can be no assurance that strong demand, capacity limitations or other problems experienced by the Company's suppliers will not result in occasional shortages or delays in the supply of components. If the Company were to experience a significant or prolonged shortage of critical components from any of its suppliers, particularly those who are sole sources, and could not procure the components from other sources, the Company would be unable to meet its production schedules for some of its key products or to ship such products to its customers in a timely fashion, which would adversely affect sales, margins, and customer relations. Furthermore, unfavorable economic or industry conditions could result in financial distress within the Company's supply base, thereby increasing the risk of supply disruption. Although market conditions generally have improved in recent years, uncertainty remains and another economic downturn or other unfavorable industry conditions in one or more of the regions in which the Company operates could cause a supply disruption and thereby adversely affect the Company's financial condition, operating results and cash flows.

The Company is subject to significant foreign currency risks and foreign exchange exposure.

As a result of our global presence, a significant portion of the Company's revenues and expenses is denominated in currencies other than the U.S. dollar. The Company is therefore subject to foreign currency risks and foreign exchange exposure. The Company's primary exposures are to the Euro, Japanese Yen, Thai Baht, Mexican Peso and Chinese Renminbi. While the Company employs financial instruments to hedge transactional foreign exchange exposure, including multi-year contracts, exchange rates are difficult to predict and such actions may not insulate us completely from those exposures. As a result, volatility in certain exchange rates could adversely impact our financial results and comparability of results from period to period. Notably, the strong dollar, central bank actions, falling oil prices, and a slowdown in China have introduced additional uncertainty into the currency markets.

Work stoppages and similar events could significantly disrupt the Company's business.

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

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Privacy concerns relating to the Company's current or future products and services could damage its reputation and deter current and potential users from using them.

The Company may gain access to sensitive, confidential or personal data or information that is subject to privacy and security laws, regulations and customer-imposed controls. Concerns about the Company's practices with regard to the collection, use, disclosure, or security of personal information or other privacy related matters, even if unfounded, could damage its reputation and adversely affect its operating results.

Furthermore, regulatory authorities around the world are considering a number of legislative and regulatory proposals concerning data protection. In addition, the interpretation and application of consumer and data protection laws in the U.S., Europe and elsewhere are often uncertain and in flux. Complying with these various laws could cause the Company to incur substantial costs.

Visteon’s operations may be restricted by the terms of the Company’s credit agreements.

The Company’s credit agreements include standard restrictive covenants. These covenants could impair the Company’s financing and operational flexibility and make it difficult to react to market conditions and satisfy ongoing capital needs and unanticipated cash requirements. Specifically, such covenants may restrict the ability and, if applicable, the ability of the subsidiaries to, among other things:

- incur significant additional debt;
- make certain investments;
- enter into certain types of transactions with affiliates;
- limit dividends or other certain payments by restricted subsidiaries;
- use assets as security in other transactions;
- pay dividends on common stock or repurchase equity interests other than those expressly permitted;
- sell certain assets or merge with or into other companies;
- guarantee the debts of others;
- enter into new lines of business; and
- form joint ventures or make subsidiary investments.

In addition, the credit agreements require the Company to periodically meet various financial ratios and tests which include a financial net leverage covenant, as well as certain maximum net leverage levels in order to take certain corporate actions such as incur additional debt or make restricted payments in excess of those expressly permitted, or for excess cash flow mandatory prepayments. These financial covenants and tests could limit the ability to react to market conditions or satisfy extraordinary capital needs and could otherwise restrict the Company’s financing and operations. The Company’s ability to comply with the covenants and other terms of the credit agreements will depend on future operating performance. If the Company fails to comply with such covenants and terms, the Company would be required to obtain waivers from the lenders to maintain compliance under such agreements. If the Company is unable to obtain any necessary waivers and the debt under the credit agreements is accelerated, it could have a material adverse effect on the financial condition and future operating performance.

Inflation may adversely affect the Company’s profitability and the profitability of the Company’s tier 2 and tier 3 supply base.

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

The Company's pension expense and funding levels of pension plans could materially deteriorate or the Company may be unable to generate sufficient excess cash flow to meet increased pension benefit obligations.

Many of the Company's employees participate in defined benefit pension plans or retirement/termination indemnity plans. Effective December 31, 2011, active salaried employees in the U.S. ceased to accrue benefits under the existing defined benefit pension plan. The Company's worldwide pension obligations exposed the Company to approximately $256 million in unfunded liabilities as of December 31, 2015, of which approximately $199 million and $57 million was attributable to unfunded U.S. and non-U.S. pension obligations, respectively.



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The Company has previously experienced declines in interest rates and pension asset values. Future declines in interest rates or the market values of the securities held by the plans, or certain other changes, could materially deteriorate the funded status of the Company's plans and affect the level and timing of required contributions in 2016 and beyond. Additionally, a material deterioration in the funded status of the plans could significantly increase pension expenses and reduce the Company's profitability.

The Company's assumptions used to calculate pension obligations as of the annual measurement date directly impact the expense to be recognized in future periods. While the Company's management believes that these assumptions are appropriate, significant differences in actual experience or significant changes in these assumptions may materially affect the Company's pension obligations and future expense. For more information on sensitivities to changing assumptions, please see Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 14 "Employee Retirement Benefits" to the Company's consolidated financial statements included in Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

The Company's ability to generate sufficient cash to satisfy its obligations may be impacted by the factors discussed herein.

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

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

The Company may incur significant restructuring charges.

The Company has taken, and expects to take, restructuring actions to realign and resize its production capacity and cost structure to meet current and projected operational and market requirements. Charges related to these actions could have a material adverse effect on the Company's financial condition, operating results and cash flows. Moreover, there can be no assurances that any future restructurings will be completed as planned or achieve the desired results.

Impairment charges relating to the Company's goodwill and long-lived assets and possible increases to deferred income tax asset valuation allowances could adversely affect the Company's financial performance.

The Company regularly monitors its goodwill and long-lived assets for impairment indicators. The Company performs either a qualitative or quantitative assessment of goodwill for impairment at the reporting unit level on an annual basis. In conducting the impairment analysis of long-lived assets, the Company compares the undiscounted cash flows expected to be generated from the long-lived assets to the related net book values. Changes in economic or operating conditions impacting the estimates and assumptions could result in the impairment of goodwill or long-lived assets. In the event that the Company determines that its goodwill or long-lived assets are impaired, the Company may be required to record a significant charge to earnings that could materially affect the Company's results of operations and financial condition in the period(s) recognized. The Company recorded asset impairment charges including discontinued operations of $5 million and $190 million in 2015 and 2014, respectively, to adjust the carrying value of certain assets to their estimated fair value. In addition, the Company cannot provide assurance that it will be able to recover remaining net deferred tax assets, which are dependent upon achieving future taxable income in certain foreign jurisdictions. Failure to achieve its taxable income targets may change the Company's assessment of the recoverability of its remaining net deferred tax assets and would likely result in an increase in the valuation allowance in the applicable period. Any increase in the valuation allowance would result in additional income tax expense, which could have a significant impact on the Company’s future results of operations.

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

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

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regularly are in process in any of the jurisdictions in which the Company operates could also have a significant impact on the Company's overall effective rate in future periods.

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

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

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

The Company is involved in legal proceedings and commercial or contractual disputes that, from time to time, are significant. These are typically claims that arise in the normal course of business including, without limitation, commercial or contractual disputes (including disputes with suppliers), intellectual property matters, personal injury claims and employment matters. No assurances can be given that such proceedings and claims will not have a material adverse impact on the Company's profitability and financial position.

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

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

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

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

A disruption in our information technology systems could adversely affect our business and financial performance.

We rely on the accuracy, capacity and security of our information technology systems. Despite the security and risk-prevention measures we have implemented, our systems could be breached, damaged or otherwise interrupted by computer viruses, unauthorized physical or electronic access or other natural or man-made incidents or disasters. Such a breach or interruption could result in business disruption, theft of our intellectual property or trade secrets and unauthorized access to personnel information. To the extent that our business is interrupted or data is lost, destroyed or inappropriately used or disclosed, such disruptions could adversely affect our competitive position, relationships with our customers, financial condition, operating results and cash flows.

The Company may not be able to fully utilize its U.S. net operating losses and other tax attributes.

Visteon's emergence from bankruptcy in 2010 resulted in a change of ownership within the meaning of Internal Revenue Code (“IRC”) Sections 382 and 383, causing the use of Visteon's pre-emergence U.S. federal net operating loss (“NOL”) and various other tax attributes to be limited in the post-emergence period. However, NOLs and other tax attributes generated in the post-emergence period are generally not limited by the emergence from bankruptcy, but could be limited if there is a subsequent change of ownership. If the Company were to have another change of ownership within the meaning of IRC Sections 382 and 383, its post-emergence NOL and other tax attributes could be limited to an amount equal to its market capitalization at the time of the

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subsequent ownership change multiplied by the federal long-term tax exempt rate. The Company cannot provide any assurance that such an ownership change will not occur, in which case the availability of the Company's NOLs and other tax attributes could be significantly limited or possibly eliminated.

Certain tax benefit preservation provisions of our corporate documents could delay or prevent a change of control, even if that change would be beneficial to stockholders.

Our second amended and restated certificate of incorporation provides, among other things, that any attempted transfer of the Company's securities during a Restricted Period shall be prohibited and void ab initio insofar as it purports to transfer ownership or rights in respect of such stock to the purported transferee to the extent that, as a result of such transfer, either any person or group of persons shall become a “Five-percent shareholder” of Visteon pursuant to Treasury Regulation § 1.382-2T(g), other than a “direct public group” as defined in such regulation (a “Five-Percent Shareholder”), or the percentage stock ownership interest in Visteon of any Five-Percent Shareholder shall be increased.

The foregoing restriction does not apply to transfers if either the transferor or transferee gives written notice to the Board of Directors and obtains their approval. A Restricted Period means any period beginning when the Company's market capitalization falls below $1.5 billion (or such other level determined by the Board of Directors not more frequently than annually) and ending when such market capitalization has been above such threshold for 30 consecutive calendar days.

These restrictions could prohibit or delay the accomplishment of an ownership change with respect to Visteon by (i) discouraging any person or group from being a Five-Percent Shareholder and (ii) discouraging any existing Five-Percent Shareholder from acquiring more than a minimal number of additional shares of Visteon's stock.

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

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

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

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

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

The Company's principal executive offices are located in Van Buren Township, Michigan. As of December 31, 2015, the Company and its consolidated subsidiaries owned or leased approximately:

- 25 corporate offices, technical and engineering centers and customer service centers in ten countries around the world, of which 24 were leased and 1 was owned;
- 20 Electronics manufacturing and/or assembly facilities in Mexico, Macedonia, Portugal, Russia, Slovakia, France, Tunisia, India, Japan, South Korea, China, Thailand and Brazil, of which 14 were leased and 6 were owned; and
- 5 Other manufacturing and/or assembly facilities in Argentina, Brazil and South Africa of which 4 were owned and 1 leased.

In addition, the Company's non-consolidated affiliates operate approximately 8 manufacturing and/or assembly locations, primarily in the Asia Pacific region. The Company considers its facilities to be adequate for its current uses.

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## Item 3. Legal Proceedings

In 2003, the Local Development Finance Authority of the Charter Township of Van Buren, Michigan (the "Township") issued approximately $28 million in bonds finally maturing in 2032, the proceeds of which were used at least in part to assist in the development of the Company's U.S. headquarters located in the Township. During January 2010, the Company and the Township entered into a settlement agreement (the "Settlement Agreement") that, among other things, reduced the taxable value of the headquarters property to current market value and facilitated certain claims of the Township in the Company's chapter 11 proceedings. The Settlement Agreement also provided that the Company would continue to negotiate in good faith with the Township in the event that property tax payments was inadequate to permit the Township to meet its payment obligations with respect to the bonds. In September 2013, the Township notified the Company in writing that it is estimating a shortfall in tax revenues of between $25 million and $36 million, which could render it unable to satisfy its payment obligations under the bonds. On May 12, 2015, the Township commenced a proceeding against the Company in the U. S. Bankruptcy Court for the District of Delaware in connection with the foregoing. Upon the Company's motion to dismiss, the Township dismissed the proceeding before the Delaware Bankruptcy Court and re-commenced the proceeding against the Company in the Michigan Wayne County Circuit Court on July 2, 2015. The Township sought a declaratory judgment that, among other things, the Company is responsible under the Settlement Agreement for payment of any shortfall in the bond debt service payments. The Company filed a motion for summary disposition in August 2015 on the basis that the Township's claims were not ripe for adjudication. In February 2016, the court granted the Company's motion and dismissed the Township's complaint without prejudice. In the event of an appeal or other recommencement of the proceedings, the Company continues to dispute the factual and legal assertions made by the Township and intends to vigorously defend the matter. The Company is not able to estimate the possible loss or range of loss in connection with this matter.

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

The Company's operations in Brazil are subject to highly complex labor, tax, customs and other laws. While the Company believes that it is in compliance with such laws, it is periodically engaged in litigation regarding the application of these laws. As of December 31, 2015, the Company maintained accruals of approximately $7 million for claims aggregating approximately $69 million. The amounts accrued represent claims that are deemed probable of loss and are reasonably estimable based on the Company's assessment of the claims and prior experience with similar matters.

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

Item 4. Mine Safety Disclosures

None

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Item 4A. Executive Officers and Key Employees

The following table shows information about the executive officers of the Company and other key employees. Ages are as of February 1, 2016:

| Name | Age | Position |
|---|---|---|
| Sachin S. Lawande | 48 | Director, President and Chief Executive Officer |
| Jeffrey M. Stafeil | 46 | Executive Vice President and Chief Financial Officer |
| William M. Robertson | 54 | Vice President and Corporate Controller |
| Peter M. Ziparo | 46 | Vice President and General Counsel |
| Stephanie S. Marianos | 47 | Assistant Corporate Controller and Chief Accounting Officer |

Sachin S. Lawande has been Visteon’s Chief Executive Officer, President and a director of the Company since June 29, 2015. Before joining Visteon, Mr. Lawande served as Executive Vice President and President, Infotainment Division of Harman International Industries, Inc., an automotive supplier, from July 2013 to June 2015. From July 2011 to June 2013, he served as Executive Vice President and President of Harman’s Lifestyle Division, and from July 2010 to June 2011 as Executive Vice President and Co-President, Automotive Division. Prior to that he served as Harmon’s Executive Vice President and Chief Technology Officer since February 2009. Mr. Lawande joined Harman International in 2006, following senior roles at QNX Software Systems and 3Com Corporation. He also serves on the board of directors of Computer Sciences Corporation.

Jeffrey M. Stafeil has been Visteon's Executive Vice President since joining the Company on October 31, 2012 and Chief Financial Officer since November 2, 2012. Prior to joining the Company, Mr. Stafeil was the Chief Executive Officer of DURA Automotive Systems LLC, an automotive supplier, since October 2010, and DURA's Executive Vice President and Chief Financial Officer between December 2008 and October 2012. Prior to that, Mr. Stafeil was the Chief Financial Officer and a board member at the Klöckner Pentaplast Group, a producer of films for packaging, printing and specialty applications, from July 2007 to December 2008. From July 2003 to July 2007, he was the Executive Vice President and Chief Financial Officer of Metaldyne Corporation, an automotive supplier. Prior to joining Metaldyne in 2001, Mr. Stafeil served in a variety of management positions at Booz Allen and Hamilton, Peterson Consulting and Ernst and Young. In addition, from January 2007 to July 2009, he served on the board of directors and was Co-Chairman of the Audit Committee for Meridian Automotive Systems, and served on the board of directors and was Audit Committee Chairman of J.L. French Automotive Castings, Inc. from September 2009 to June 2012. Mr. Stafeil currently serves on the board of directors of Mentor Graphics Corporation and Metaldyne Performance Group, Inc.

William M. Robertson has been Visteon’s Vice President and Corporate Controller since June 2015. Prior to that, he was Director, Corporate Finance since 2003; Manager, Corporate Finance since April 2001; and Operations Manager since joining the Company in May, 2000. Before joining Visteon, he served as Vehicle Operations Controller for Ford Motor Company.

Peter M. Ziparo has been Visteon's Vice President and General Counsel since April 2014. Prior to that, he was Assistant General Counsel since 2005 and Associate General Counsel since joining the Company in October 2002. Before joining Visteon, Mr. Ziparo was a corporate associate with Morrison & Foerster LLP and Chadbourne & Parke LLP.

Stephanie S. Marianos has been Visteon’s Chief Accounting Officer since June 2015 and Assistant Corporate Controller since July 2014. Prior to that, she was Associate Director, Corporate Finance since May 2012; Associate Director, Corporate Accounting since April 2008; and Senior Manager, Corporate Accounting since joining the Company in September 2005. Before joining Visteon, she was an independent accounting consultant serving manufacturing, insurance and health care companies. Ms. Marianos began her career at Ernst & Young LLP and is a certified public accountant.

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Part II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

As of February 19, 2016, the Company had 38,864,913 shares of its common stock, $0.01 par value per share, outstanding, which were owned by 8,252 shareholders of record. The table below shows the high and low sales prices per share for the Company’s common stock as reported by the NYSE for each quarterly period for the last two years.

| | 2015 | | | |
|---|---|---|---|---|
| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
| High | $107.45 | $110.48 | $106.71 | $121.65 |
| Low | $95.15 | $95.96 | $95.11 | $100.85 |
| | 2014 | | | |
| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
| High | $88.44 | $97.01 | $108.29 | $106.86 |
| Low | $79.22 | $84.19 | $95.5 | $84.55 |

No dividends were paid by the Company on its common stock during the years ended December 31, 2015, 2014 or 2013. On January 22, 2016, the Company paid a special distribution of $43.40 per share of common stock. The Company’s Board of Directors (the “Board”) evaluates the Company’s dividend policy based on all relevant factors. The Company’s credit agreements limit the amount of cash payments for dividends that may be made. Additionally, the ability of the Company’s subsidiaries to transfer assets is subject to various restrictions, including regulatory requirements and governmental restraints. Refer to Note 6, “Non-Consolidated Affiliates,” to the Company’s consolidated financial statements included in Item 8 “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

The following table summarizes information relating to purchases made by or on behalf of the Company, or an affiliated purchaser, of shares of the Company’s common stock during the fourth quarter of 2015.

| Period | Total Number of Shares (or Units) Purchased (1) | Average Price Paid per Share (or Unit) | Total Number of Shares (or units) Purchased as Part of Publicly Announced Plans or Programs (2) | Approximate Dollar Value of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (2) (in millions) |
|---|---|---|---|---|
| Oct. 1, 2015 to Oct. 31, 2015 | 9,260 | $107.33 | — | $0 |
| Nov. 1, 2015 to Nov. 30, 2015 | 2,364 | $119.74 | — | $0 |
| Dec. 1, 2015 to Dec. 31, 2015 | 1,101,489 | $105.25 | 1,058,965 | $0 |
| Total | 1,113,113 | $105.30 | 1,058,965 | $0 |

(1) This column includes 54,148 shares surrendered to the Company by employees to satisfy tax withholding obligations in connection with the vesting of restricted share and stock unit awards made pursuant to the Visteon Corporation 2010 Incentive Plan.

(2) On June 11, 2015, the board of directors increased its share repurchase program authorization by $125 million, to a total authorization to repurchase up to $1.125 billion of the Company’s common stock from the beginning of the program until December 31, 2015. In June 2015, the Company entered into an accelerated stock buyback (“ASB”) program with Goldman, Sachs & Co. (“Goldman”) to repurchase shares of common stock for an aggregate purchase price of $500 million. Under this ASB program, the Company paid Goldman $500 million and received an initial delivery of 3,712,297 shares of common stock using a reference price of $107.75. On December 30, 2015, this ASB program program concluded, and the Company received an additional 1,058,965 shares. On December 9,

2015, the board of directors authorized a new share repurchase program, which authorizes repurchases of up to $500 million of the Company's common stock through December 31, 2016. The Company anticipates that future repurchases of common stock, if any, would occur from time to time in open market transactions, 10b5-1 programs, non-discretionary programs or in privately negotiated transactions depending on market and economic conditions, share price, trading volumes, alternative uses of capital and other factors.

The following information in Item 5 is not deemed to be "soliciting material" or be "filed" with the SEC or subject to Regulation 14A or 14C under the Securities Exchange Act of 1934 ("Exchange Act") or to the liabilities of Section 18 of the Exchange Act, and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent the Company specifically incorporates it by reference into such a filing.

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Performance Graph

The following graph compares the cumulative total stockholder return from December 31, 2010 through December 31, 2015 for its existing common stock, the S&P 500 Index and the Dow Jones U.S. Auto Parts Index. The graph below assumes that $100 was invested on December 31, 2010 in each of the Company's common stock, the stocks comprising the S&P 500 Index and the stocks comprising the Dow Jones U.S. Auto Parts Index, and that all that dividends have been reinvested.

| | December 31, 2010 | December 31, 2011 | December 31, 2012 | December 31, 2013 | December 31, 2014 | December 31, 2015 |
|---|---|---|---|---|---|---|
| Visteon Corporation | $100.00 | $67.30 | $72.50 | $110.30 | $143.90 | $154.20 |
| Dow Jones U.S. Auto & Parts Index | $100.00 | $76.90 | $91.70 | $135.20 | $143.80 | $139.80 |
| S&P 500 | $100.00 | $102.10 | $118.40 | $156.80 | $178.20 | $180.70 |

The above comparisons are required by the Securities and Exchange Commission and are not intended to forecast or be indicative of possible future performance of the Company's common stock or the referenced indices.

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Item 6. Selected Financial Data

The following statement of operations, statement of cash flows and balance sheet data were derived from the Company's consolidated financial statements for the years ended December 31, 2015, 2014, 2013, 2012 and 2011. This information should be read in conjunction with Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations” and Item 8, “Financial Statements and Supplementary Data” in this Annual Report on Form 10-K.

| | Year Ended December 31 2015 | Year Ended December 31 2014 | Year Ended December 31 2013 | Year Ended December 31 2012 | Year Ended December 31 2011 |
|---|---|---|---|---|---|
| | (Dollars in Millions, Except Per Share Amounts) | | | | |
| Statement of Operations Data: | | | | | |
| Net sales | $3,245 | $2,586 | $1,724 | $1,625 | $1,815 |
| Net income (loss) from continuing operations | 42 | (75) | 555 | 56 | (12) |
| Income (loss) from discontinued operations, net of tax | 2,286 | (131) | 220 | 111 | 166 |
| Net income (loss) attributable to Visteon Corporation | $2,284 | $(295) | $690 | $100 | $80 |
| Basic earnings (loss) per share | | | | | |
| Continuing operations | $0.52 | $(2.14) | $11.10 | $1.06 | $(0.25) |
| Discontinued operations | 53.48 | (4.30) | 2.70 | 0.83 | 1.81 |
| Basic earnings (loss) attributable to Visteon Corporation | $54.00 | $(6.44) | $13.80 | $1.89 | $1.56 |
| Diluted earnings (loss) per share | | | | | |
| Continuing operations | $0.51 | $(2.14) | $10.86 | $1.05 | $(0.25) |
| Discontinued operations | 52.12 | (4.30) | 2.64 | 0.83 | 1.81 |
| Diluted earnings (loss) attributable to Visteon Corporation | $52.63 | $(6.44) | $13.50 | $1.88 | $1.56 |
| Balance Sheet Data: | | | | | |
| Total assets | $4,682 | $5,323 | $6,027 | $5,156 | $4,969 |
| Total debt, excluding held for sale | $384 | $616 | $399 | $491 | $521 |
| Total Visteon Corporation stockholders' equity | $1,057 | $865 | $1,920 | $1,385 | $1,307 |
| Statement of Cash Flows Data: | | | | | |
| Cash provided from operating activities | $338 | $284 | $312 | $239 | $175 |
| Cash provided from (used by) investing activities | $2,358 | $(740) | $698 | $(40) | $(331) |
| Cash used by financing activities | $(774) | $(359) | $(141) | $(115) | $(3) |

Year Ended December 31, 2015

On June 9, 2015, Visteon completed the sale to Hahn & Co. Auto Holdings Co., Ltd. (“Hahn”) and Hankook Tire Co., Ltd. (“Hankook” and, together with Hahn, the “Purchasers”) of all of its shares of Halla Visteon Climate Control

Corporation, a Korean corporation ("HVCC"), for approximately $3.4 billion, or KRW 52,000 per share after adjusting for the 2014 dividend paid by HVCC to Visteon (the "Climate Transaction"), pursuant to and in accordance with the Share Purchase Agreement, dated as of December 17, 2014 (the "Purchase Agreement"), among Visteon and the Purchasers. The respective results of operations of the HVCC Climate business have been reclassified to Net (loss) income from discontinued operations, net of tax for all periods presented.

On December 1, 2015, Visteon Corporation and its wholly owned subsidiary, Visteon Deutschland GmbH, which operates the Berlin, Germany interiors plant completed the sale to APCH Automotive Plastic Components Holding GmbH. The Company recorded a loss of $105 million in connection with the sale. Although the divestiture represents a continuation of the Company's exit from the Interiors business, the divestiture is not considered a strategic shift given the size of the operations representing $86 million in 2015 sales. Therefore, the operations do not qualify for discontinued operations presentation and operating results prior to the sale are classified within Other as continuing operations.

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Year Ended December 31, 2014

In May 2014, pursuant to a Master Purchase Agreement, as subsequently amended, Visteon agreed to divest substantially all of
its global Interiors business (the "Interiors Divestiture") in exchange for the assumption of certain liabilities related to the Company's Interiors business and the payment of nominal cash consideration. In connection with the Interiors Divestiture, the Company recorded losses totaling $326 million during the year ended December 31, 2014. These losses included an asset impairment loss of $190 million recorded during the second quarter of 2014 pursuant to execution of the Purchase Agreement and additional losses of $136 million during the fourth quarter of 2014 pursuant to the Master Closing on November 1, 2014 and the completion of the sale of an Interiors operation in India on December 1, 2014. The operating results of Interiors businesses subject to the Interiors Divestiture have been reclassified to Net income (loss) from discontinued operations, net of tax for all periods presented.

On July 1, 2014, the Company completed the acquisition of substantially all of the global automotive electronics business of Johnson Controls Inc. for an aggregate purchase price of $299 million, including $31 million of cash and equivalents at the acquired business. In August 2014, Halla Visteon Climate Control Corporation ("HVCC"), a consolidated subsidiary of the Company, acquired the automotive thermal and emissions business of Cooper-Standard Automotive Inc., a subsidiary of Cooper-Standard Holdings Inc., for cash of $46 million. On September 1, 2014, HVCC completed the acquisition of a controlling 51% equity interest in Japan Climate Systems - Nanjing for $7 million. The Company commenced consolidation of all the acquired businesses from respective dates of acquisition.

Year Ended December 31, 2013

During the year ended December 31, 2013 the Company recorded gains totaling $465 million in connection with the Yanfeng Transactions that were included in Income before income taxes, income (loss) from continuing operations, and net income (loss) attributable to Visteon Corporation. These gains included $413 million from the sale of the Company's 50% equity interest in Yanfeng and a gain of $52 million from the remeasurement of Visteon's previous 40% equity interest in YFVE to fair value in connection with the step acquisition of an additional 11%, which resulted in a 51% controlling ownership interest in YFVE. Additionally, during the fourth quarter of 2013, Visteon recorded equity earnings of $27 million, representing its 50% share of a $54 million non-cash gain at Yanfeng. The gain resulted from the deconsolidation of YFVE at Yanfeng pursuant to Visteon's November 2013 step acquisition. Cash received from the sale of the Company's 50% investment in Yanfeng has been included in the table above as Cash provided from investing activities for the year ended December 31, 2013.

Year Ended December 31, 2012

On August 1, 2012, the Company completed the sale of its Lighting operations and the respective results of operations of the Lighting business have been reclassified to Income (loss) from discontinued operations, net of tax for all periods presented.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the results of operations, financial condition and cash flows of Visteon Corporation ("Visteon" or the "Company"). MD&A is provided as a supplement to, and should be read in conjunction with, the Company's consolidated financial statements and related notes appearing in Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

Executive Summary

Description of Business

Visteon Corporation (the "Company" or "Visteon") is a global automotive supplier that designs, engineers and manufactures innovative electronics products for nearly every original equipment vehicle manufacturer ("OEM") worldwide including Ford, Nissan, Renault, Mazda, BMW, General Motors and Honda. Visteon is headquartered in Van Buren Township, Michigan and has an international network of manufacturing operations, technical centers and joint venture operations, supported by approximately 11,000 employees, dedicated to the design, development, manufacture and support of its product offerings and its global customers. The Company's manufacturing and engineering footprint is principally located outside of the U.S., with a heavy concentration in low-cost geographic regions.

Visteon provides value for its customers and stockholders through its technology-focused vehicle cockpit electronics business, by delivering a rich, connected cockpit experience for every car from luxury to entry. The Company's cockpit electronics business is one of the broadest portfolios in the industry and includes audio systems, information displays, instrument clusters, head up displays, infotainment systems, and telematics solutions. The Company's cockpit electronics business comprises and is reported under the Electronics segment. In addition to the Electronics segment, the Company has residual operations in South America and Europe previously associated with the Interiors and Climate businesses but not subject to discontinued operations classification that comprise Other.

The pie charts below highlight the sales breakdown for Visteon's Electronics segment for the year ended December 31, 2015.

Strategic Imperatives

After completing the most critical milestones of the Company's transformation plan laid out during the latter half of 2012, Visteon is now a technology-focused, pure-play supplier of automotive cockpit electronics and connected car solutions. The Company has laid out the following three strategic imperatives for 2016 and beyond:

- Strengthen the Core - Visteon offers technology and related manufacturing operations for audio, head-up displays, information displays, infotainment, instrument clusters and telematics products. The Company's backlog, defined as cumulative remaining life of program booked sales, is approximately $15.2 billion as of December 31, 2015, or 4.9 times 2015 sales, reflecting a strong booked sales base on which to launch future growth.

- Move Selectively to Adjacent Products - As consumer demand continues to evolve with an increase of electronics content per vehicle, the Company strives to further develop expertise in the areas of cockpit domain controllers, next generation safety applications, and vehicle cyber security. These areas require assessment as consumer needs shift and related products complement Visteon's core products.

- Deliver Cost Efficiencies - Visteon core business financial results continue to improve with Adjusted EBITDA margin for electronics and corporate of 9.5% in 2015 compared with 7.2% in 2014. The Company expects to deliver cost efficiencies by achieving selling, general and administrative and engineering efficiencies, improving free cash flow, optimizing its capital structure and driving savings benefits as revenues grow.

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Transformation Milestones

During the year ended December 31, 2015, the Company further progressed its transformation and completed the vast majority of milestones defined by the 2012 comprehensive shareholder value creation plan. During 2015, the Company continued to optimize its Electronics operations, progressed the divestiture of its Interiors operations, sold the vast majority of its Climate operations, strengthened the balance sheet and announced plans for significant shareholder returns.

- Electronics Optimization - Effective July 1, 2014 Visteon acquired substantially all of the global automotive electronics business of Johnson Controls Inc. (the "Electronics Acquisition") for the aggregate purchase price of $299 million, including $31 million of cash and equivalents at the acquired business. The Electronics Acquisition has enhanced Visteon's competitive position in the fast-growing cockpit electronics segment by strengthening its global scale, manufacturing and engineering footprint, product portfolio and customer penetration.

The Company has achieved approximately $70 million in annual cost synergies primarily accomplished through manufacturing and purchasing efficiencies as well as restructuring actions. The Company initiated a restructuring program in 2014 reducing fixed costs including administrative, engineering and manufacturing functions. Through December 31, 2015, the Company had recorded $57 million of restructuring expense in connection with this program, of which approximately $19 million remains accrued at December 31, 2015. Charges for the 2014 initiated program are considered substantially complete. As the Company continues to focus on delivering cost efficiencies, new restructuring actions may be contemplated.

On January 12, 2016, Visteon entered into a share purchase agreement to acquire all shares of AllGo Systems, Inc., USA ("AllGo Systems") for initial consideration of $15 million and contingent consideration of $7 million, expected to close during the first half of 2016. AllGo Systems, is a leading developer of embedded multimedia system solutions to global vehicle manufacturers. The acquisition further strengthens the Company's technological capabilities as it develops the next generation infotainment products.

- Exit of Interiors Business - On December 1, 2015, Visteon completed the sale and transfer of its equity ownership in Visteon Deutschland GmbH, which operated the Berlin, Germany interiors plant ("Germany Interiors Divestiture") . The Company contributed cash of approximately $141 million, assets of $27 million, and liabilities of $198 million, including pension related liabilities. The Company will make a final contribution payment of approximately $30 million by November 2016 included in the Company's consolidated balance sheet as "Other current liabilities" as of December 31, 2015. The Company recognized a pre-tax loss on divestiture of $105 million related to foreign currency translation and pension benefit plan amounts previously recorded in accumulated other comprehensive loss.

In June 2015, the Company completed the sale of its 12.5% ownership interest in Yangfeng Visteon Jinqiao Automotive Trim Systems Co., Ltd., a Chinese automotive supplier for proceeds of approximately $91 million and recorded a pre-tax gain of $62 million. The sale of this joint venture is a final step of the Company's 2013 Master Agreement (the “Master Agreement”) with Huayu Automotive Systems Company Limited (“HASCO”), Yanfeng Visteon Automotive Trim Systems Co., Ltd. (“Yanfeng”) and Yanfeng Visteon Automotive Electronics Co., Ltd. (“YFVE”) to sell its ownership in interiors related joint ventures, the vast majority of which was completed during the fourth quarter of 2013.

On May 1, 2014, the Company reached an agreement to divest substantially all of its global Interiors business (the "Interiors Divestiture") pursuant to a Master Purchase Agreement, as subsequently amended (the “Purchase Agreement”). Effective November 1, 2014, the Company closed on the majority of the Interiors Divestiture (the "Master Closing"). Subsequent to the Master Closing, the Company completed the sale of Interiors operations in India ("India Closing") on December 1, 2014 and Thailand ("Thailand Closing") on February 2, 2015. Remaining entities subject to the Interiors Divestiture, located in Argentina and Brazil, are expected to close in 2016 and are subject to various conditions, including regulatory and antitrust approvals, receipt of other third party consents and approvals and other customary closing conditions.

During the year ended December 31, 2015 the Company recorded total losses of $16 million in connection with the Interiors Divestiture. These losses included an impairment loss of $4 million recorded and additional losses of $12 million related to the Interiors Divestiture during the year ended 2015. Additionally, the Company made cash payments of approximately $15 million, including cash balances transferred, in connection with the Master Closing, the India Closing and the Thailand Closing. The Company expects to record additional losses in connection with the remaining transactions closings subject to the Interiors Divestiture in future periods, which are estimated to be approximately $20 million. Additionally, the transaction closing of the remaining operations subject to the Interiors Divestiture may require cash outflows based on purchase price adjustments at the time of closing.

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- Climate Transaction - On June 9, 2015, Visteon completed the sale to Hahn & Co. Auto Holdings Co., Ltd. (“Hahn”) and Hankook Tire Co., Ltd. (“Hankook” and, together with Hahn, the “Purchasers”) of all of its shares of Halla Visteon Climate Control Corporation, a Korean corporation (“HVCC”), for approximately $3.4 billion, or KRW 52,000 per share after adjusting for the 2014 dividend paid by HVCC to Visteon (the “Climate Transaction”), pursuant to and in accordance with the Share Purchase Agreement, dated as of December 17, 2014 (the “Purchase Agreement”), among Visteon and the Purchasers. The Company received net cash proceeds of approximately $2.7 billion and recognized a pre-tax gain of approximately $2.3 billion in connection with the closing of the Climate Transaction in June, 2015.

In connection with the closing of the Climate Transaction, Visteon, HVCC and/or the Purchasers have entered into certain other agreements, including a transition agreement (pursuant to which the parties will provide certain transition services for a specified period following the closing), a remediation agreement (pursuant to which Visteon will provide certain information technology services for a period of time), engineering and support agreements (pursuant to which the parties will support certain operations of the other following the closing), and a letter agreement (pursuant to which Visteon has agreed to repurchase from HVCC certain electronics operations located in India).

- Strengthen the Balance Sheet - On June 12, 2015, the Company utilized Climate Transaction proceeds to pay down $246 million of term loan principal to reduce aggregate principal amount of Term Loans outstanding to $350 million. In connection with the principal reduction, the 0.25% mandatory quarterly prepayment obligation was considered met, therefore Visteon ceased making quarterly amortization payments.

- Enhance Shareholder Returns - In connection with the Climate Transaction, the Company expects to return $2.5 billion-$2.75 billion of cash to shareholders through 2016 via a series of actions including buybacks and special distributions.

On June 11, 2015, the Company's board of directors authorized an additional $125 million of share repurchase for a total of $500 million available for share repurchase. On June 15, 2015, the Company entered into an accelerated stock buyback ("ASB") program with a third-party financial institution to purchase shares of common stock for an aggregate purchase price of $500 million. Under the program, the Company paid the financial institution $500 million and received an initial delivery of 3,712,297 shares of common stock, which is approximately 80% of the total number of shares of the Company’s common stock expected to be repurchased under the ASB Agreement based on the closing price of the Company’s common stock on June 15, 2015. In December 2015, the program concluded and the Company received an additional 1,058,965 shares. The final settlement price for all shares delivered under this 2015 ASB program was $104.79.

On December 10, 2015, the Company's board of directors authorized $500 million of share repurchase of its shares of common stock through December 31, 2016. On December 16, 2015, the Company entered into a stock repurchase agreement with a third party financial institution to purchase shares of its common stock complying with the provisions of Rule 10b5-1 and Rule 10b-18 under the Securities Exchange Act of 1934 (“10b5-1 Share Repurchase Program”). The new 10b5-1 Share Repurchase Program is open until March 1, 2016 with the maximum purchase amount of $150 million, net of commissions. Under this program, the third-party financial institution will repurchase the Company’s shares at the prevailing market prices pursuant to specified share price and daily volume limits. As of February 19, 2016, the Company has paid $84 million to repurchase 1,307,500 of shares at an average price of $64.06.

On December 10, 2015, the Company approved a special distribution of $43.40 per share of its common stock outstanding as of January 15, 2016, or approximately $1.75 billion in the aggregate, payable on January 22, 2016 and classified as "Distribution payable" on the Consolidated Balance Sheet as of December 31, 2015. The special cash distribution was funded from Climate Transaction proceeds.

Global Automotive Industry

The Company conducts its business in the automotive industry, which is capital intensive, highly competitive and sensitive to economic conditions. During 2015 the global automotive industry continued to experience modest global growth. Growth in China production outpaced the overall growth rate in 2015 although at a lower rate than in prior years.  Europe production also increased based on recovering demand in Western Europe which more than offset continued contraction in the East and decreased exports. South America continues to experience a contraction in demand while production in the remaining regions was mixed due to varying economic, political and social factors.

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Light vehicle production levels for 2015 by geographic region are provided below (units in millions):

| | Light Vehicle Production | | | |
|---|---|---|---|---|
| | 2015 | 2014 | Change | |
| Global | 88.6 | 87.4 | 1.4 | % |
| North America | 17.5 | 17.0 | 2.9 | % |
| South America | 3.0 | 3.8 | (21.1 | )% |
| Europe | 20.9 | 20.1 | 4.0 | % |
| China | 23.9 | 22.9 | 4.4 | % |
| Japan/Korea | 13.2 | 13.7 | (3.6 | )% |
| India | 3.8 | 3.6 | 5.6 | % |
| ASEAN | 3.8 | 4.0 | (5.0 | )% |

Source: IHS Automotive

Financial Results Summary

Significant aspects of the Company's financial results for the year ended December 31, 2015 include the following.

- The Company recorded sales of $3,245 million representing an increase of $659 million when compared with the year ended December 31, 2014. The increase was primarily due to the Electronics Acquisition, higher production volumes, and new business, partially offset by unfavorable currency.

- Gross margin was $430 million or 13.3% of sales for the year ended December 31, 2015 compared to $340 million or 13.1% of sales for the same period of 2014. The increase was primarily attributable to the Electronics Acquisition, increased volumes, and improved cost performance, partially offset by unfavorable currency, a non-recurring pension gain and increased warranty costs.

- Net income attributable to Visteon was $2,284 million for the year ended December 31, 2015, which included net income from discontinued operations of $2,286 million including the Climate Transaction gain, a gain on sale of non-consolidated affiliates of $62 million, partially offset by a loss on the Germany Divestiture of $105 million, restructuring expense of $36 million, and other expense, net of $25 million. Net loss attributable to Visteon for the year ended December 31, 2014 was $295 million, which included net loss from discontinued operations of $197 million, restructuring expense of $54 million, loss on debt extinguishment of $23 million and other expense, net of $61 million.

- Total cash and short-term investments, excluding amounts held for sale, were $2,783 million, $2,298 million higher than cash balances of $485 million on December 31, 2014, primarily attributable to the Climate Transaction proceeds. The Company's debt, excluding amounts held for sale, was $384 million, $232 million lower than debt of $616 million at the end of December 31, 2014, primarily attributable to the pay-down of term loan principal. As of December 31, 2015 the Company had $2,399 million of cash and short-term investments in excess of debt.

- Including discontinued operations, the Company generated $338 million of cash from operating activities for the year ended December 31, 2015, $54 million higher than cash from operating activities of $284 million for the year ended December 31, 2014, as a result of lower working capital use, capitalized engineering recoveries and lower restructuring payments.

- Cash provided by investing activities of $2,358 million, inclusive of discontinued operations, for the year ended December 31, 2015 was $3,098 million higher than cash used by investing activities of $740 million for the year ended December 31, 2014. The increase was primarily attributable to proceeds from the Climate Transaction of

$2,664 million in 2015 and the non-recurrence of business acquisition impacts of $311 million in 2014.

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Consolidated Results of Operations - 2015 Compared with 2014

The Company's consolidated results of operations for the years ended December 31, 2015 and 2014 were as follows:

| | Year Ended December 31 | | |
|---|---|---|---|
| | 2015 | 2014 | Change |
| | (Dollars in Millions) | | |
| Sales | $3,245 | $2,586 | $659 |
| Cost of sales | 2,815 | 2,246 | 569 |
| Gross margin | 430 | 340 | 90 |
| Selling, general and administrative expenses | 245 | 228 | 17 |
| Restructuring expense | 36 | 54 | (18) |
| Interest expense | 19 | 25 | (6) |
| Interest income | 5 | 4 | 1 |
| Loss on debt extinguishment | 5 | 23 | (18) |
| Equity in net income of non-consolidated affiliates | 7 | 2 | 5 |
| Loss on divestiture | 105 | — | 105 |
| Gain on non-consolidated affiliate transactions | 62 | 2 | 60 |
| Other expense, net | 25 | 61 | (36) |
| Provision for income taxes | 27 | 32 | (5) |
| Net income (loss) from continuing operations | 42 | (75) | 117 |
| Net income (loss) from discontinued operations, net of tax | 2,286 | (131) | 2,417 |
| Net income (loss) | 2,328 | (206) | 2,534 |
| Net income attributable to non-controlling interests | 44 | 89 | (45) |
| Net income (loss) attributable to Visteon Corporation | $2,284 | $(295) | $2,579 |
| Adjusted EBITDA* | $282 | $177 | $105 |

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

Sales

Sales for the year ended December 31, 2015 totaled $3,245 million, which represents an increase of $659 million compared with the same period of 2014. The primary drivers of the sales increase included the Electronics Acquisition effective July 1, 2014 which increased sales by $691 million. Additionally, higher production volumes and new business favorably impacted sales by $199 million. Favorable volumes increased sales in the Electronics segment but this was partially offset by unfavorable volumes in Other, primarily driven by the wind-down of certain South American businesses and the sale of the Germany Interiors facility on December 1, 2015. Currency unfavorably impacted sales by $175 million, primarily attributable to the weakening Euro, Japanese Yen, Brazilian Real, and the Chinese Renminbi. Other reductions of $56 million were associated with customer pricing, net of design savings.

Cost of Sales

Cost of sales increased $569 million for the year ended December 31, 2015 when compared with the same period in 2014. The increase includes $771 million attributable to increased production volumes, including the Electronics Acquisition, as well as changes in product mix, representing the variable nature of material and labor costs. These increases were partially offset by foreign currency which decreased cost of sales by $142 million, attributable to the weakening of the Euro, Japanese Yen, Brazilian Real, and Chinese Renminbi, the non-recurrence of a 2014 pension settlement gain of $25 million and increased warranty costs primarily attributable to three customer actions related to defective supplier parts of $14 million. Additionally, the Company realized $85 million of net efficiencies related to material, design, and usage economics and other costs.

Gross Margin

The Company's gross margin was $430 million or 13.3% of sales for the year ended December 31, 2015 compared to $340 million or 13.1% of sales for the same period of 2014. The $90 million increase in gross margin included $119 million from favorable volumes and mix, including the impacts of the Electronics Acquisition. Gross margin also included favorable net cost performance

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of $43 million, primarily reflecting material cost efficiencies. These increases were partially offset by $33 million of unfavorable currency, $25 million related to the non-recurrence of a 2014 pension settlement gain and $14 million of increased warranty costs primarily attributable to three customer actions related to defective supplier parts.

Selling, General and Administrative Expenses

Selling, general, and administrative expenses were $245 million, 7.6% of sales, and $228 million, 8.8% of sales, during the years ended December 31, 2015 and 2014, respectively. The increase of $17 million is attributable to the Electronics Acquisition which increased costs $48 million and lower cost recoveries associated with divested businesses which increased costs $10 million. These increases were partially offset by cost efficiencies and foreign currency impacts.

Restructuring Expense

The Company's restructuring reserves and related activity, including amounts attributable to discontinued operations, is summarized below for the year ended December 31, 2015.

| | Electronics | Corporate | Other | Total |
|---|---|---|---|---|
| | (Dollars in Millions) | | | |
| December 31, 2014 | $30 | $— | $9 | $39 |
| Expense | 36 | 4 | 2 | 42 |
| Reversals | (4) | — | — | (4) |
| Utilization | (29) | (2) | (3) | (34) |
| Business divestiture | — | — | (1) | (1) |
| Foreign currency | (2) | — | (2) | (4) |
| December 31, 2015 | $31 | $2 | $5 | $38 |

Electronics: In connection with the Electronics Acquisition, the Company commenced a restructuring program designed to achieve annual cost savings through transaction synergies, of approximately $70 million. During the years ended December 31, 2015 and 2014, the Company recorded $20 million and $37 million, respectively, of severance and termination benefits, net of reversals, under this program associated with approximately 1,100 employees. Charges for the program are considered substantially complete. Approximately $19 million remains accrued at December 31, 2015.

During October 2015, the Company announced a restructuring program designed to reduce the workforce at a European Electronics facility. The Company recorded $12 million of severance and termination benefits under this program associated with approximately 100 employees, which remains accrued as of December 31, 2015. The Company expects to record additional restructuring costs related to this program as the underlying plan is finalized.

Corporate: The Company previously announced a restructuring program designed to reduce fixed costs and to improve operational efficiencies by addressing certain under-performing operations. In connection with that program, the Company announced plans to realign its corporate and administrative functions directly to their corresponding operational beneficiary. During the year ended December 31, 2015, the Company recorded $4 million for restructuring expenses, primarily related to severance and termination benefits associated with certain executives. As of December 31, 2015, $2 million remains accrued for this program and charges for the program are considered substantially complete.

Other: Restructuring activities for Other include the following:

- During 2014, the company announced the closure of a Climate facility located in Quilmes, Argentina. In connection with the closure, the Company recorded $13 million of restructuring expenses, primarily related to severance and termination benefits associated with approximately 270 employees. Approximately $1 million remains accrued at December 31, 2015.
- 

Discontinued Operations: Restructuring activities for discontinued operations, included in Other, primarily consist of the following:

- The Company recorded and paid cash to settle employee severance and termination benefits of $2 million in 2015 associated with approximately 15 employees at the Company's Climate operations in France, under a previously announced

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program designed to commonize global business systems and processes across its Climate operations for the purpose of reducing costs.

- During 2014, the Company recorded $5 million of employee severance and termination benefit costs associated with a previously announced plan to restructure three Interiors facilities located in France and made cash payments of approximately $18 million for related employee severance and termination benefits. As of December 31, 2015, approximately $3 million remains accrued for this program.
- During 2014, the Company announced a plan to further reduce the workforce and related processes at an Interiors operation in Brazil and recorded an additional $3 million for employee severance and termination benefits associated with approximately 50 employees. Approximately $1 million remains accrued as of December 31, 2015.

Utilization represents payments for severance and other employee termination benefits and special termination benefits reclassified to pension and other postretirement employee benefit liabilities, where such payments are made from the Company’s benefit plans.

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

Interest Expense

Interest expense for the year ended December 31, 2015 of $19 million decreased $6 million when compared to $25 million for the same period of 2014. Interest expense for the year ended December 31, 2015 of $19 million is primarily associated with the Company's Term Facility due April 9, 2021 with original principal of $600 million and prepaid down to $350 million following the Climate Transaction in June 2015. During the year ended December 31, 2014, interest expense of $25 million primarily included interest expense of $10 million associated with the Company's 6.75% Senior Notes which were redeemed in April 2014 and interest expense of $13 million associated with the Company's Term Facility at original principal balance of $600 million.

Interest Income

Interest income was $5 million and $4 million for the years ended December 31, 2015 and 2014, respectively. Interest income for 2015 benefited from the investment of Climate Transaction proceeds received in June 2015, while interest income for 2014 benefited from the investment of Yanfeng divestiture proceeds received at the end of 2013.

Loss on Debt Extinguishment

The Company recorded losses on debt extinguishment of $5 million and $23 million during the years ended December 31, 2015 and 2014, respectively. Loss on debt extinguishment of $5 million during the year ended December 31, 2015 related to the $246 million repayment of the Company's Term Facility, reducing the outstanding aggregate principal $350 million, including unamortized original issue discount, debt fees and other debt costs. Loss on debt extinguishment of $23 million during the year ended December 31, 2014 related to the repayment and redemption of the Company's 6.75% senior notes due April 15, 2019 including premium paid on the redemption and unamortized original issue discount, debt fees and other debt issue costs.

Equity in Net Income of Non-Consolidated Affiliates

Equity in net income of non-consolidated affiliates was $7 million and $2 million for the years ended December 31, 2015 and 2014, respectively. The increase was primarily attributable to dividend recognition for a cost basis investment.

Loss on Divestiture

On December 1, 2015, Visteon completed the Germany Interiors Divestiture by contributing cash of approximately $141 million, assets of $27 million, and liabilities of $198 million, including pension related liabilities. The Company will make a final contribution payment of approximately $30 million by November 2016 included in the Company's consolidated balance sheet as "Other current liabilities" as of December 31, 2015. The Company recognized a pre-tax loss on divestiture of $105 million related to foreign currency translation and pension benefit plan amounts previously recorded in accumulated other comprehensive loss.

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Gain on Non-Consolidated Affiliates Transactions

During the year ended December 31, 2015, the Company completed the sale of its 12.5% ownership interest in Yanfeng Visteon Jinqiao Automotive Trim Systems Company, Limited, a Chinese automotive interiors supplier, for proceeds of $91 million and recorded a pre-tax gain on sale of $62 million.

During the year ended December 31, 2014, the Company completed the sale of its 50% ownership interest in Duckyang Industry Co., Ltd. ("Duckyang"), a Korean automotive interiors supplier. In connection with the transaction, the Company received total cash of approximately $31 million, including $6 million of dividends. The Company recorded a pre-tax gain of approximately $2 million on this transaction during the year ended December 31, 2014.

Other Expense, Net

Other expense, net consists of the following:

| | Year Ended December 31 | |
|---|---|---|
| | 2015 | 2014 |
| | (Dollars in Millions) | |
| Transformation initiatives | $25 | $22 |
| Integration costs | 14 | 18 |
| Transaction hedging and exchange (gain) loss | (15) | 10 |
| Provision for losses on recoverable taxes | — | 8 |
| Impairment and loss on asset contribution | 1 | 3 |
| | $25 | $61 |

The Company recorded transformation costs of $25 million and $22 million for the years ended December 31, 2015 and 2014, respectively, related to financial and advisory services associated with continued execution of its comprehensive shareholder value creation plan and certain severance costs associated with the Electronics Acquisition and the Climate Transaction. Hedging and exchange gains of $15 million and losses of $10 million for the years ended December 31, 2015 and 2014 respectively, relate to the Climate Transaction proceeds and the Germany Interiors Divestiture contribution.

During the years ended December 31, 2015 and 2014, the Company recorded $14 million and $18 million , respectively, of costs to integrate the businesses associated with the Electronics Acquisition. Integration costs incurred were related to re-branding, facility modification, information technology readiness and related professional services.

The Company recorded $8 million during the year ended December 31, 2014 to adjust recoverable value-added taxes to net realizable value attributable to business exit activities. In connection with the closure of the Climate facility located in Quilmes, Argentina in 2014, the Company contributed land and building with a net book value of $3 million to the local municipality for the benefit of former employees.

Income Taxes

The Company's provision for income tax was $27 million for year ended December 31, 2015 and reflects income tax expense related to those countries where the Company is profitable, accrued withholding taxes, ongoing assessments related to the recognition and measurement of uncertain tax benefits, the inability to record a tax benefit for pre-tax losses in the U.S. and certain other jurisdictions due to valuation allowances to the extent not offset by other categories of income, and other non-recurring tax items.

The Company's provision for income taxes decreased $5 million for the year ended December 31, 2015 compared with 2014. The decrease included a $9 million year-over-year reduction in unrecognized tax benefits, including interest and penalties, related primarily to favorable audit developments in Asia during the first quarter of 2015, and statute expirations in Europe during 2015, as well as an $18 million income tax benefit on pre-tax U.S. losses from continuing operations. Although the Company maintains a full valuation allowance against net deferred tax assets in the U.S., the level of other categories of income generated in the U.S. during 2015 (primarily related to discontinued operations) resulted in a charge to discontinued operations income tax expense of $18 million with the offsetting benefit recognized in continuing operations, effectively resulting from a reduction in the valuation allowance against deferred tax assets. Other changes in the Company’s deferred tax asset valuation allowances did not materially impact net tax expense during the years ended December 31, 2015 or 2014. These decreases were partially offset by $12 million attributable to overall changes in the mix of earnings and tax rates between jurisdictions, $8 million related to China tax in

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connection with the sale of Yanfeng Visteon Jinqiao Automotive Trim Systems Company, Limited and $4 million related to the non-recurrence of a tax benefit related to the partial elimination of valuation allowances in Mexico during 2014.

Visteon's emergence from bankruptcy in 2010 resulted in a change of ownership within the meaning of Internal Revenue Code (“IRC”) Sections 382 and 383, causing the use of Visteon's pre-emergence U.S. federal net operating loss (“NOL”) and various other tax attributes to be limited in the post-emergence period. However, NOLs and other tax attributes generated in the post emergence period are generally not limited by the emergence from bankruptcy, but could be limited if there is a subsequent change of ownership. If the Company were to have another change of ownership within the meaning of IRC Sections 382 and 383, its post-emergence NOL and other tax attributes could be limited to an amount equal to its market capitalization at the time of the subsequent ownership change multiplied by the federal long-term tax exempt rate. The Company cannot provide any assurance that such an ownership change will not occur, in which case the availability of the Company's NOLs and other tax attributes could be significantly limited or possibly eliminated. In order to continue to protect the Company's pre and post-emergence period tax attributes and reduce the likelihood that the Company will experience an additional ownership change, once the Company's market capitalization falls below $1.5 billion Board of Director approval is required should a person or group become a 5-percent shareholder and/or an existing 5-percent shareholder intend to increase its ownership interest.

Discontinued Operations

The operations subject to the Interiors Divestiture and Climate Transaction met conditions required to qualify for discontinued operations reporting. Accordingly, the results of operations for the Interiors and Climate businesses have been reclassified to Net income (loss) from discontinued operations, net of tax in the Consolidated Statements of Operations for the years ended December 31, 2015 and 2014. Discontinued operations are summarized as follows:

| | Year Ended December 31 | |
|---|---|---|
| | 2015 | 2014 |
| | (Dollars in Millions) | |
| Sales | $2,199 | $5,757 |
| Cost of sales | 2,039 | 5,239 |
| Gross margin | 160 | 518 |
| Selling, general and administrative expenses | 77 | 194 |
| Gain on Climate Transaction | 2,324 | — |
| Long-lived asset impairments | 4 | 190 |
| Loss on interiors divestiture | 12 | 136 |
| Restructuring expense | 2 | 17 |
| Interest expense, net | 2 | 7 |
| Equity in net income of non-consolidated affiliates | 6 | 13 |
| Other expenses | 10 | 25 |
| Income (loss) from discontinued operations before income taxes | 2,383 | (38) |
| Provision for income taxes | 97 | 93 |
| Net income (loss) from discontinued operations, net of tax | $2,286 | $(131) |

On June 9, 2015, Visteon completed the sale of all its shares in HVCC to the Purchasers. The Climate Transaction closed for approximately $3.4 billion, or KRW 52,000 per share after adjusting for the 2014 dividend paid by HVCC to Visteon. The Company received net cash proceeds of approximately $2.7 billion and recognized a pre-tax gain of approximately $2.3 billion in June, 2015.

In connection with the closing of the Climate Transaction, Visteon, HVCC and/or the Purchasers have entered into certain other agreements, including a transition agreement (pursuant to which the parties will provide certain transition services for a specified period following the closing), a remediation agreement (pursuant to which Visteon will provide certain IT services for a period of time), engineering and support agreements (pursuant to which the parties will support certain operations of the other following the closing), and a letter agreement (pursuant to which Visteon has agreed to purchase from HVCC certain electronics operations located in India). Assets and liabilities associated with the Climate Transaction met the "held for sale" criteria during the second quarter ended June 30, 2015 and were classified as such in the Consolidated Balance Sheet.

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The gain is summarized below (dollars in millions):

| | | |
|---|---|---|
| Gross proceeds | (1) | $3,423 |
| Korea withholding tax | (2) | (377) |
| Professional fees | (3) | (20) |
| Korea security transaction tax | (4) | (17) |
| Divested cash balances | (5) | (345) |
| Net cash provided from investing activities | | 2,664 |
| Net assets divested, excluding cash balances | (5) | (565) |
| Information technology separation and service obligations | (6) | (53) |
| Employee related charges | (7) | (45) |
| Electronics business repurchase obligation | (8) | (50) |
| Professional fees | (3) | (4) |
| Korea withholding tax recoverable | (2) | 377 |
| Net gain on Climate Transaction | | $2,324 |

(1) Gross proceeds of $3.423 billion were received in connection with the Climate Transaction, translated at a spot rate of 1121.5 KRW to USD on June 9, 2015. Impacts of related hedging activities and exchange on proceeds conversion into USD are included in the Company's consolidated statements of comprehensive income as "Other expense, net" for the years ended December 31, 2015 and 2014.

(2) In connection with the transaction, the Company recorded a tax recoverable of $377 million for Korean capital gains tax withheld by the Purchasers and paid to the Korean government. This amount reduced proceeds classified as net cash provided from investing activities within Company's consolidated statements of cash flows for the year ended December 31, 2015. The Company received the entire amount of the expected capital gains withholding tax in January 2016, amounting to $355 million as adjusted for interest and exchange as the refund was denominated in Korean won. Net exchange and interest impacts are recorded as provision for income taxes within discontinued operations.

(3) Professional fees of $24 million, representing fees paid to financial advisors, were based on a percentage of the gross proceeds, partially offset by previously paid retainer fees of $4 million, for a net payment of $20 million reducing proceeds classified as net cash provided from investing activities within the Company's consolidated statements of cash flows for the year ended December 31, 2015.

(4) Security transaction taxes of $17 million were remitted to the Korean government as of the transaction close, reducing proceeds classified as net cash provided from investing activities within the Company's consolidated statements of cash flows for the year ended December 31, 2015.

(5) Net assets of $910 million, including assets, liabilities, accumulated other comprehensive income and non-controlling interests, were divested in connection with the Climate Transaction. Divested assets included $345 million of cash balances, reflected as a reduction of transaction proceeds classified as net cash provided from investing activities within the Company's consolidated statements of cash flows for the year ended December 31, 2015.

(6) In connection with the Climate Transaction, the Company has entered an agreement pursuant to which Visteon will provide information technology ongoing and separation services for HVCC to fully operate as an independent entity with estimated costs of approximately $53 million. The remaining information technology liability is included in the Company's consolidated balance sheets as "Other current liabilities" as of December 31, 2015.

(7) Employee related charges of $45 million include bonus payments, the Company's assumption of incentive plan liabilities, and impacts of employment change in control provisions. Bonus payments of $30 million are classified in the Company's net cash provided from operating activities within the Company's consolidated statements of cash flows for the year ended December 31, 2015. Amounts remaining to be paid are included in the Company's consolidated balance sheets as "Accrued employee liabilities" as of December 31, 2015.

(8) In connection with the Climate Transaction, the Company has entered an agreement to purchase certain electronics operations located in India, expected to close in 2016 after legal separation and regulatory approvals are met. The Company has recorded

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a repurchase obligation of $50 million, representing the estimated purchase price of the subject business. The Company continues to consolidate the business, with net assets of approximately $22 million, based on the Company's continued controlling financial interest. The Company's controlling financial interest was evaluated based on continued operating control and obligation to fund losses or benefit from earnings. The business is included in a legal entity currently owned by HVCC and therefore the Electronics business assets are not available for general corporate purposes. The repurchase commitment is included in the Company's consolidated balance sheets as "Other current liabilities" as of December 31, 2015.

Net Income (Loss)

Net income attributable to Visteon was $2,284 million for the year ended December 31, 2015, representing an increase of $2,579 million when compared with net loss attributable to Visteon of $295 million for the year ended December 31, 2014. Net income attributable to Visteon in 2015 included a gain on the Climate Transaction of $2,324 million and a gain on sale of a non-consolidated affiliate of $62 million, partially offset by a loss on the Germany Divestiture of $105 million. Net loss attributable to Visteon was $295 million for the year ended December 31, 2015, including total losses on the Interiors Divestiture of $326 million. Net income (loss) was also impacted by discontinued operations including the timing of the Climate Transaction effective in June of 2015 and the vast majority of the Interiors Divestiture in November of 2014.

Adjusted EBITDA

Adjusted EBITDA (a non-GAAP financial measure, as defined below) was $282 million for the year ended December 31, 2015, representing an increase of $105 million when compared with Adjusted EBITDA of $177 million for the same period of 2014. The increase in Adjusted EBITDA included $86 million of favorable volume and mix, primarily attributable to the Electronics Acquisition. Currency movements unfavorably impacted Adjusted EBITDA for the year ended December 31, 2015 by $23 million, largely related to the weakening Euro, Japanese Yen, Brazilian Real and Chinese Renminbi. Adjusted EBITDA in 2015 was also impacted by selling, general and administrative cost efficiencies of $16 million and material, manufacturing, which more than offset customary customer pricing productivity by $26 million.

Adjusted EBITDA is presented as a supplemental measure of the Company's financial performance that management believes is useful to investors because the excluded items may vary significantly in timing or amounts and/or may obscure trends useful in evaluating and comparing the Company's operating activities across reporting periods. The Company defines Adjusted EBITDA as net income attributable to the Company adjusted to eliminate the impact of depreciation and amortization, restructuring expense, net interest expense, loss on debt extinguishment, equity in net income of non-consolidated affiliates, loss on divestiture, gain on non-consolidated affiliate transactions, other net expense, provision for income taxes, discontinued operations, net income attributable to non-controlling interests, non-cash stock-based compensation expense, pension settlement gains and other non-operating gains and losses. The Company changed its definition of Adjusted EBITDA to exclude net income attributable to non-controlling interests and equity in net income of non-consolidated affiliates as well as the impact of discontinued operations as management believes this measure is most reflective of the operational performance of the Company's operating segments. Accordingly, Adjusted EBITDA for historical periods has been recast in a manner consistent with the Company's new definition.

Adjusted EBITDA is not a recognized term under accounting principles generally accepted in the United States and does not purport to be a substitute for net income as an indicator of operating performance or cash flows from operating activities as a measure of liquidity. Adjusted EBITDA has limitations as an analytical tool and is not intended to be a measure of cash flow available for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. In addition, the Company uses Adjusted EBITDA (i) as a factor in incentive compensation decisions, (ii) to evaluate the effectiveness of the Company's business strategies and (iii) because the Company's credit agreements use measures similar to Adjusted EBITDA to measure compliance with certain covenants. Adjusted EBITDA, as determined and measured by the Company should not be compared to similarly titled measures reported by other companies. The reconciliation of Adjusted EBITDA to net income attributable to Visteon for the years ended December 31, 2015 and 2014 is as follows:

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| | Year Ended December 31 | | |
|---|---|---|---|
| | 2015 | 2014 | Change |
| | (Dollars in Millions) | | |
| Adjusted EBITDA | $282 | $177 | $105 |
| Depreciation and amortization | 85 | 70 | 15 |
| Restructuring expense | 36 | 54 | (18) |
| Interest expense, net | 14 | 21 | (7) |
| Loss on debt extinguishment | 5 | 23 | (18) |
| Equity in net income of non-consolidated affiliates | (7) | (2) | (5) |
| Loss on divestiture | 105 | — | 105 |
| Gain on non-consolidated affiliate transactions | (62) | (2) | (60) |
| Other expense, net | 25 | 61 | (36) |
| Provision for income taxes | 27 | 32 | (5) |
| Net (income) loss from discontinued operations, net of tax | (2,286) | 131 | (2,417) |
| Net income attributable to non-controlling interests | 44 | 89 | (45) |
| Non-cash, stock-based compensation expense | 8 | 12 | (4) |
| Pension settlement gain | — | (25) | 25 |
| Other | 4 | 8 | (4) |
| Net income (loss) attributable to Visteon Corporation | $2,284 | $(295) | $2,579 |

Segment Results of Operations - 2015 compared with 2014

The Company’s chief operating decision making group, comprised of the Chief Executive Officer and Chief Financial Officer, evaluates the performance of the Company’s segments primarily based on net sales, before elimination of inter-company shipments, Adjusted EBITDA (non-GAAP financial measure) and operating assets. During the year ended December 31, 2015, and in connection with the Climate Transaction, the Company classified its previously HVCC owned climate operations as discontinued operations for current and comparable periods. Certain Visteon wholly owned climate facilities with 2015 annual sales of approximately $70 million are subject to future negotiation under the terms of the Share Purchase Agreement and are classified within Other. During the year ended December 31, 2014, operations subject to the Interiors Divestiture met conditions required to qualify for discontinued operations reporting. Certain interiors operations in South America and Europe excluded from the scope of the Interiors Divestiture are classified within Other.

The Company's operating structure is organized into two global product groups - Electronics and Other. These global product groups have financial and operating responsibility over the design, development and manufacture of the Company's product portfolio. Certain functions such as procurement, information technology and other administrative activities are managed on a global basis with regional deployment. The Company's two reportable segments are as follows:

- Electronics - The Company's Electronics segment provides vehicle cockpit electronics products to customers, including audio systems, information displays, instrument clusters, head up displays, infotainment systems, and telematics solutions.
- Other - Other includes entities located in Europe previously associated with the Interiors business but not subject to the Interiors Divestiture. Other also includes entities in South America and South Africa previously associated with the Climate business but not subject to the Climate Transaction.

Sales

| | Electronics | Other | Eliminations | Total |
|---|---|---|---|---|

| | (Dollars in Millions) | | | |
|---|---|---|---|---|
| December 31, 2014 | $2,386 | $251 | $(51) | $2,586 |
| Volume and mix | 240 | (77) | 36 | 199 |
| Currency | (156) | (19) | — | (175) |
| Electronics Acquisition | 691 | — | — | 691 |
| Other | (54) | (2) | — | (56) |
| December 31, 2015 | $3,107 | $153 | $(15) | $3,245 |

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Electronics sales increased during the year ended December 31, 2015 by $721 million. The largest driver of the sales increase was attributable to the Electronics Acquisition, representing $691 million of the increase. Higher production volumes, primarily in Asia and Europe, increased sales by $240 million. Unfavorable currency, primarily related to the Euro, Japanese Yen, and Chinese Renminbi decreased sales by $156 million. Other changes, totaling $54 million, reflected customer pricing net of design changes.

Other sales decreased during the year ended December 31, 2015 by $98 million, including unfavorable volume and product mix of $77 million primarily reflecting the wind down of certain South America businesses and the sale of the Germany Interiors facility on December 1, 2015. Unfavorable currency, primarily related to the Euro and Brazilian Real, was $19 million.

Cost of Sales

| | Electronics | Other | Eliminations | Total |
|---|---|---|---|---|
| | (Dollars in Millions) | | | |
| December 31, 2014 | $2,062 | $235 | $(51) | $2,246 |
| Material | 474 | (46) | 36 | 464 |
| Freight and duty | 9 | (10) | — | (1) |
| Labor and overhead | 28 | (24) | — | 4 |
| Engineering | 40 | (1) | — | 39 |
| Depreciation and amortization | 18 | (7) | — | 11 |
| Other | 35 | 17 | — | 52 |
| December 31, 2015 | $2,666 | $164 | $(15) | $2,815 |

Substantially all of the increases in Electronics cost of sales are attributable to the Electronic Acquisition effective July 1, 2014.

Net engineering costs are comprised of gross engineering expenses related to forward model program development and advanced engineering activities, partially offset by engineering cost recoveries from customers. Electronics gross engineering expenses were $376 million for the year ended December 31, 2015, an increase of $75 million compared to the same period of 2014. Engineering recoveries were $82 million for the year ended December 31, 2015, an increase of $35 million compared to the same period of 2014. Engineering cost recoveries can fluctuate period to period depending on underlying contractual terms and conditions and achievement of related development milestones.

Other cost of sales decreased year over year, primarily related to a $46 million reduction in material costs, a $10 million reduction in freight costs, and a $24 million reduction in labor and overhead costs, reflecting lower production volumes related to the wind down for certain programs in South America and the sale of the Germany Interiors facility on December 1, 2015. Cost of sales in Other also increased $17 million driven by the non-recurrence of a $12 million tax settlement in Brazil and the non-recurrence of a $7 million pension settlement gain.

Adjusted EBITDA

Adjusted EBITDA by segment for the years ended December 31, 2015 and 2014 is presented in the table below.

| | Year Ended December 31 | | |
|---|---|---|---|
| | 2015 | 2014 | Change |
| | (Dollars in Millions) | | |
| Electronics | $348 | $221 | $127 |
| Other | (12) | 6 | (18) |
| Total segment Adjusted EBITDA | 336 | 227 | 109 |

| | | | |
|---|---|---|---|
| Reconciling Item: | | | |
| Corporate | (54) | (50) | (4) |
| Total consolidated Adjusted EBITDA | $282 | $177 | $105 |

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Changes in Adjusted EBITDA by segment are presented in the table below.

| | Electronics | Other | Total |
|---|---|---|---|
| | (Dollars in Millions) | | |
| December 31, 2014 | $221 | $6 | $227 |
| Volume and mix | 93 | (7) | 86 |
| Currency | (18) | (5) | (23) |
| Other | 52 | (6) | 46 |
| December 31, 2015 | $348 | $(12) | 336 |
| Reconciling Item: | | | |
| Corporate | | | (54) |
| Total | | | $282 |

Electronics Adjusted EBITDA increased $127 million for the year ended December 31, 2015 when compared to the same period of 2014. Higher volumes, including the Electronics Acquisition, new business, and favorable product mix, increased Adjusted EBITDA by $93 million. Currency, largely related to the Euro, Japanese Yen and Chinese Renminbi, had an unfavorable impact of $18 million. Other net cost efficiencies of $52 million include $53 million of material, design, and manufacturing costs, $13 million of selling, general, and administrative cost efficiencies, partially offset by $14 million of one time warranty costs.

Other Adjusted EBITDA for the year ended December 31, 2015 decreased by $18 million compared to the same period of 2014. The decrease was partially explained by the non-recurrence of a $12 million Brazil tax settlement in 2014. The additional decrease is attributable to lower production volumes, the Germany Interiors facility sale on December 1, 2015, and unfavorable currency.

Consolidated Results of Operations - 2014 Compared with 2013

The Company's consolidated results of operations for the years ended December 31, 2014 and 2013 were as follows:

| | Year Ended December 31 | | |
|---|---|---|---|
| | 2014 | 2013 | Change |
| | (Dollars in Millions) | | |
| Sales | $2,586 | $1,724 | $862 |
| Cost of sales | 2,246 | 1,529 | 717 |
| Gross margin | 340 | 195 | 145 |
| Selling, general and administrative expenses | 228 | 175 | 53 |
| Restructuring expense | 54 | 21 | 33 |
| Interest expense | 25 | 36 | (11) |
| Interest income | 4 | 1 | 3 |
| Loss on debt extinguishment | 23 | 2 | 21 |
| Equity in net income of non-consolidated affiliates | 2 | 202 | (200) |
| Gain on non-consolidated affiliate transactions | 2 | 470 | (468) |
| Other expense, net | 61 | 23 | 38 |
| Provision for income taxes | 32 | 56 | (24) |
| Net (loss) income from continuing operations | (75) | 555 | (630) |
| Net (loss) income from discontinued operations, net of tax | (131) | 220 | (351) |
| Net (loss) income | (206) | 775 | (981) |
| Net income attributable to non-controlling interests | 89 | 85 | 4 |
| Net (loss) income attributable to Visteon Corporation | $(295) | $690 | $(985) |

| | | | |
|---|---|---|---|
| Adjusted EBITDA* | $177 | $81 | $96 |

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

Sales

Sales for the year ended December 31, 2014 totaled $2,586 million, which represents an increase of $862 million compared with

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the same period of 2013. The primary drivers of the sales increase included the Electronics Acquisition effective July 1, 2014 and the acquisition of a controlling ownership interest in YFVE effective November 7, 2013, which increased sales by $665 million and $291 million, respectively. Additionally, volumes and product mix unfavorably impacted sales by $45 million. Favorable volumes increased sales in the Electronics segment but this was more than offset by unfavorable volumes in Other, primarily driven by the wind-down of certain South American businesses. Currency unfavorably impacted sales by $32 million, primarily attributable to the weakening Indian Rupee, Thai Baht, Argentine Peso and the Brazilian Real. Other reductions of $17 million were associated with customer pricing, net of design savings.

Cost of Sales

Cost of sales increased $717 million for the year ended December 31, 2014 when compared with the same period in 2013. The increase includes $762 million attributable to increased production volumes, including the Electronics Acquisition and the acquisition of a controlling ownership interest in YFVE, as well as changes in product mix, representing the variable nature of material and labor costs. Engineering costs increased $12 million, supporting growth in the Electronics segment. These increases were partially offset by foreign currency which decreased cost of sales by $8 million, attributable to the weakening of the Indian Rupee, Thai Baht, Argentine Peso and the Brazilian Real. Additionally, the Company realized $49 million of net efficiencies related to material, design, and usage economics and other costs, including a pension settlement gain of $25 million.

Gross Margin

The Company's gross margin was $340 million or 13.1% of sales for the year ended December 31, 2014 compared to $195 million or 11.3% of sales for the same period of 2013. The increase in gross margin included $149 million from favorable volumes and mix, including the impacts of the Electronics Acquisition and the acquisition of a controlling ownership interest in YFVE. Gross margin also included favorable net cost performance of $32 million, primarily reflecting material cost efficiencies and a pension settlement gain of $25 million. These increases were partially offset by $24 million of unfavorable currency and $12 million in increased engineering costs to support future growth.

Selling, General and Administrative Expenses

Selling, general, and administrative expenses were $228 million or 8.8% of sales and $175 million or 10.2% of sales during the years ended December 31, 2014 and 2013, respectively. The increase of $53 million is primarily driven by the Electronics Acquisition and the acquisition of a controlling ownership interest in YFVE. Additional increases included $9 million from the non-recurrence of cost recoveries associated with divested businesses, partially offset by cost efficiencies.

Equity in Net Income of Non-Consolidated Affiliates

Equity in net income of non-consolidated affiliates totaled $2 million and $202 million for the years ended December 31, 2014 and 2013, respectively, representing a decrease of $200 million, as a result of the divestiture of Yanfeng. Equity in net income of non-consolidated affiliates for the year ended December 31, 2013 includes $27 million representing Visteon's 50% equity interest in a non-cash gain recorded by Yanfeng. The gain resulted from the deconsolidation of YFVE pursuant to Visteon's November 2013 step acquisition to acquire a controlling 51% ownership interest in YFVE. In connection with the deconsolidation, Yanfeng recorded its retained non-controlling interest in YFVE at fair value, which exceeded the carrying value of net assets deconsolidated.

The following table presents summarized statement of operations data for the Company’s non-consolidated affiliates representing 100% of the results of operations of such non-consolidated affiliates.

| | December 31, 2013 | | |
|---|---|---|---|
| | Net Sales | Gross Margin | Net Income |
| | (Dollars in Millions) | | |
| Yanfeng | $8,089 | $1,160 | $334 |
| All other | 864 | 40 | 64 |
| | $8,953 | $1,200 | $398 |

Yanfeng net income for the year ended December 31, 2013 includes approximately $54 million associated with non-cash gains.

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Restructuring Expense

The Company's restructuring reserves and related activity, including amounts attributable to discontinued operations, are summarized below for the year ended December 31, 2014.

| | Electronics | Corporate | Other | Total |
|---|---|---|---|---|
| | (Dollars in Millions) | | | |
| December 31, 2013 | $— | $3 | $26 | $29 |
| Expenses | 37 | 1 | 33 | 71 |
| Utilization | (6) | (4) | (46) | (56) |
| Business divestiture | — | — | (3) | (3) |
| Exchange | (1) | — | (1) | (2) |
| December 31, 2014 | $30 | $— | $9 | $39 |

Electronics: In connection with the Electronics Acquisition, the Company commenced a restructuring program designed to achieve cost savings through transaction synergies. During the year ended December 31, 2014, the Company recorded $37 million of severance and termination benefits associated with approximately 600 employees. Approximately $30 million remains accrued at December 31, 2014.

Other: Restructuring activities for Other include the following:

- During 2014, the Company announced the closure of a Climate facility located in Quilmes, Argentina. In connection with the closure, the Company recorded $13 million of restructuring expenses, primarily related to severance and termination benefits associated with approximately 270 employees. Approximately $1 million remains accrued at December 31, 2014.

- During 2014, the Company also announced the closure of a Climate facility located in Port Elizabeth, South Africa. In connection with the closure, the Company recorded and paid $2 million of restructuring expenses, primarily related to severance and termination benefits associated with approximately 90 employees.

Discontinued Operations: Restructuring activities for discontinued operations, included in Other, primarily consist of the following:

- The Company recorded $5 million of employee severance and termination benefit costs associated with a previously announced plan to restructure three Interiors facilities located in France and made cash payments of approximately $18 million for related employee severance and termination benefits. As of December 31, 2014 approximately $5 million remains accrued for this program.
- The Company recorded $6 million of employee severance and termination benefit costs associated with approximately 100 employees at two Interiors facilities located in Spain. The Company made cash payments of $3 million for related employee severance and termination benefits.
- The Company announced a plan to further reduce the workforce and related processes at an Interiors operation in Brazil and recorded an additional $3 million for employee severance and termination benefits associated with approximately 50 employees and this amount remains accrued as of December 31, 2014.
- In connection with the reorganization of the Company's Climate operations in France, the Company recorded and paid cash to settle employee severance and termination benefits of $3 million associated with approximately 20 employees under a previously announced program designed to commonize global business systems and processes across its Climate operations for the purpose of reducing costs.

Utilization represents payments for severance and other employee termination benefits and special termination benefits reclassified to pension and other postretirement employee benefit liabilities, where such payments are made from the Company’s benefit plans.

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

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Interest Expense

Interest expense for the year ended December 31, 2014 of $25 million decreased $11 million when compared to $36 million for the same period of 2013. The decrease includes $20 million attributable to repayments and ultimate settlement of the Company's 6.75% Senior Notes due April 15, 2019 effective May 9, 2014 and $5 million for lower commitment fees and amortization of debt issuance costs, partially offset by $13 million associated with a new $600 million term facility entered April 9, 2014.

Interest Income

Interest income of $4 million for the year ended December 31, 2014 increased by $3 million when compared to $1 million for the same period of 2013 primarily due to higher averag