VISTEON CORP
Form 10-K405
February 27, 2001

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2000 or

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

For the transition period from __________________ to

Commission file number 1-15827

VISTEON CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware
(State of incorporation) **38-3519512**
(I.R.S. employer
identification no.) **5500 Auto Club Drive, Dearborn, Michigan**
(Address or principal executive offices) **48126**
(Zip code)

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

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $1.00 per share	New York Stock Exchange
7.95% Notes due August 1, 2005	Luxembourg Stock Exchange
8.25% Notes due August 1, 2010	Luxembourg Stock Exchange

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

Yes __ No__

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

As of February 15, 2001, the registrant had outstanding 130,952,775 shares of Common Stock. The aggregate market value of such Common Stock held by non-affiliates of the registrant as of such date was $1,923,696,265, based on the closing price of the Common Stock on that date ($14.69 a share) as reported by the New York Stock Exchange.

Document Incorporated by Reference*

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

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

PART I

ITEM 1. BUSINESS

Overview

Visteon Corporation is a leading, global supplier of automotive systems, modules and components. We sell our products primarily to global vehicle manufacturers, and also sell to the worldwide aftermarket for replacement and vehicle appearance enhancement parts. We operate in three business segments: Comfort, Communication & Safety; Dynamics & Energy Conversion; and Glass.

Our world headquarters is located in Dearborn, Michigan. We also maintain regional headquarters in Cologne, Germany (Europe/ Africa/ Middle East region), Tokyo, Japan (Asia-Pacific region), and Sao Paulo, Brazil (South America region). We maintain technical facilities/sales offices and plants in 25 countries throughout the world.

Ford Motor Company established Visteon as a wholly-owned subsidiary in January 2000, and subsequently transferred to Visteon the assets and liabilities comprising Ford s automotive components and systems business. Ford completed its spin-off of Visteon on June 28, 2000. Visteon is a Delaware corporation, incorporated on January 5, 2000.

Business Segments

Business segment financial information can be found on pages 39-41 of this Annual Report on Form 10K (Note 15, Segment Information , of our Consolidated Financial Statements).

Comfort, Communication & Safety

Through our Comfort, Communication & Safety segment, Visteon is a leading global supplier of automotive climate control, interior/ exterior and telematics/ multimedia systems, modules and components. Products within this segment include heating, ventilation and air conditioning components and systems; powertrain cooling components and systems; cockpit modules, seating and interior trim; exterior and interior lighting; bumpers; fascias; and in-vehicle entertainment, driver information, navigation, wireless communication, and safety and security electronics.

Dynamics & Energy Conversion

Visteon is, through our Dynamics & Energy Conversion segment, a leading global supplier of automotive energy transformation and chassis systems, modules and components. Products within this segment include products for energy management, electrical conversion, fuel storage and delivery (such as electronic engine controls, alternators, starters and fuel tanks) and distributed power generation; and axle and driveline, steering and chassis products.

Glass

Our Glass segment is composed of our vehicle glazing product group, which produces glass products for Ford and aftermarket customers, and our commercial glass product group, which produces float glass for commercial architecture. The Glass segment is divided into two product groups: vehicle glazing and commercial glass.

In December 2000, Visteon recorded a pre-tax, non-cash impairment write-down of $220 million ($138 million after-tax) to reduce the net book value of the assets associated with the Glass segment to estimated fair value. The write-down reflects revised operating projections following the end of discussions regarding a joint venture involving the business, which reflected continuing pressures on costs and prices. Visteon remains committed to finding solutions for the Glass segment during the coming months.

Customers and Competitors

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

Vehicle Manufacturers. Visteon does business with all of the world s largest vehicle manufacturers. Ford is our largest customer. In 2000, our sales to Ford accounted for about 84% of our total sales. Our top five customers other than Ford accounted for 5.8% of our total 2000 sales. Mazda Motor Corporation, of which Ford owns a 33.4% equity interest, is one of our top five non-Ford customers, accounting for 0.7% of our 2000 sales. In 2000, 37% of the new business we were awarded for delivery in future years was non-Ford business.

Most of our products are sold under purchase agreements that require us to provide price reductions each year. In turn, Visteon has an aggressive cost reduction program that focuses on reducing total costs. These cost reductions are expected to offset customer price reductions.

Aftermarket. We sell products to the worldwide aftermarket as replacement parts or as customized products, such as body appearance packages and in-car entertainment systems, for current production and older vehicles. In 2000, our aftermarket sales were $897 million, representing 4.6% of our total sales. We currently sell 54% of these products to the independent aftermarket and 46% to Ford s Automotive Consumer Service Group, the principal aftermarket sales organization of Ford. In 2000, aftermarket sales of our glass products were $180 million, representing less than 1% of our total sales and about 20% of our total aftermarket sales.

Competition. The principal competitors of our Comfort, Communication and Safety segment include Delphi Automotive Systems Corporation, Denso Corporation, Johnson Controls, Inc., Lear Corporation, Magna

International, Inc., Valéo S.A., Mannesman VDO AG and Nippon Seiki Co., Ltd. The principal competitors of our Dynamics & Energy Conversion segment include American Axle & Manufacturing Holdings, Inc., Robert Bosch GmbH, Dana Corporation, Delphi Automotive Systems Corporation, Denso Corporation, Siemens AG and TRW, Inc. The principal competitors of our Glass segment include Asahi Glass Company Limited, AFG Industries, Inc., Pilkington Plc. and PPG Industries, Inc.

International

Financial information about sales and net property by major geographic area can be found on page 41 of this Annual Report on Form 10-K (Note 15, Segment Information , of our Consolidated Financial Statements).

Seasonality

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

Product Research and Development

Visteon s research and development efforts are intended to maintain our leadership position in the industry and provide us with a competitive edge as we seek additional business with new and existing customers. Total research and development expenditures were $1.2 billion in 2000, $1.1 billion in 1999 and $1.0 billion in 1998.

Raw Materials

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

Workforce

Visteon s workforce as of December 31, 2000, included approximately 82,000 persons, of whom approximately 18,000 were salaried and 64,000 were hourly. Of the hourly workforce, approximately 24,000 are Ford employees in the United States, who are covered under the Ford UAW Master Agreement. Under an agreement between Ford and Visteon, we have agreed to reimburse Ford for the cost of the Ford employees working in our facilities. This includes amounts (limited to $50 million per year in each of 2000-2004) for profit sharing, which may be based in whole or in part on Ford s profits. The present Ford UAW agreement expires in September 2003.

In Europe, all Ford employees (both hourly and salaried) working in Visteon facilities at the time of the spin-off from Ford became Visteon employees. Visteon has agreed that, during their employment and retirement, Visteon will provide these employees with wages, benefits and other terms of employment that closely reflect those required to be provided by Ford to its employees in the respective countries. Visteon s national agreement with the British trade unions expires in November 2002, and its national agreement with the German trade unions expires in February 2002.

Intellectual Property

Visteon owns significant intellectual property, including a large number of patents, copyrights 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 in a number of the markets it serves, no single patent, copyright, trade secret or license, or group of related patents, copyrights, trade secrets or licenses, is, in the opinion of management, of such value to Visteon that its business would be materially affected by the expiration or termination thereof. The company s general policy is to apply for patents on an ongoing basis in the United States and appropriate other countries on its significant patentable developments.

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

Environmental Matters

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

We are aware of contamination at some of our properties and have agreed to an allocation of liability at various third party superfund sites at which Ford has been named as a potentially responsible party. We are in various stages of investigation and cleanup at these sites. At December 31, 2000, Visteon had recorded a reserve of $11.1 million for this environmental investigation and cleanup.

ITEM 2. PROPERTIES

Our principal executive offices are located in Dearborn, Michigan. We occupy this facility, as well as a number of other facilities, under arrangements with Ford.

We also maintain regional headquarters for our Europe/ Africa/ Middle East region in Cologne, Germany, for our Asia-Pacific region in Tokyo, Japan and for our South America region in Sao Paulo, Brazil. We maintain 54 technical facilities/ sales offices and 85 owned and leased plants in 25 countries throughout the world. The following table shows the total square footage of our principal owned and leased manufacturing facilities by region as of December 31, 2000:

Region	Number of Manufacturing Sites	Total Manufacturing Sites Square Footage
		(in millions)
North America	33	27.4
Europe		

	32	10.0
South America	3	0.9
Asia-Pacific	17	4.3
Total	85	42.6

Our Comfort, Communication & Safety segment operates in 59 manufacturing facilities throughout the world, of which 42 are outside of North America and 12 are non-unionized. Our Dynamics & Energy Conversion segment operates in 21 manufacturing facilities throughout the world, of which 10 are outside of North America and 12 are non-unionized. Our Glass segment operates in five manufacturing facilities in North America and two are non-unionized.

In some locations, we have combined a manufacturing facility, technical center and/or customer service center and sales office at a single multi-purpose site. The following table shows the number of various types of facilities by region as of December 31, 2000:

Region	Manufacturing Sites	Technical Centers	Customer Centers and Sales Offices
North America	33	14	11
Europe	32	8	13
South America	3	0	1
Asia-Pacific	17	1	6
Total	85	23	31

We believe that our facilities are suitable and adequate, and have sufficient productive capacity, to meet our present and anticipated needs.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 3. LEGAL PROCEEDINGS (Continued)

In connection with our spin-off from Ford, Ford has retained liability for all product liability, warranty or recall claims that involve parts made or sold by us for 1996 or earlier model year Ford vehicles. Visteon is responsible for these types of claims relating to 1997 or later model year Ford vehicles, subject to Ford s global terms and conditions, with the understanding that we will be treated by Ford as any other third party supplier, and in accordance with Ford s customary treatment of other suppliers. We have assumed liability for all product liability, warranty or recall claims relating to parts made by us and delivered to third parties other than Ford at any time.

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

None

ITEM 4A. EXECUTIVE OFFICERS OF VISTEON

The following table shows information about the directors, director nominees and executive officers of our company. All ages are as of March 1, 2001:

Name	Age	Position
Peter J. Pestillo	62	Chairman of the Board and Chief Executive Officer
Michael F. Johnston	53	President and Chief Operating Officer
Robert J. Womac	57	Executive Vice President of Operations
Daniel R. Coulson	57	Executive Vice President and Chief Financial Officer
Stacy L. Fox	47	Senior Vice President, General Counsel and Secretary
Robert H. Marcin	55	Senior Vice President of Human Resources
Susan F. Skerker	56	Senior Vice President of Business Strategy and Corporate Relations

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

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

Robert J. Womac has been the company s Executive Vice President of Operations since the company s formation in January 2000. Before that, he had been Executive Vice President of Ford s parts operations, a Vice President of Ford and General Manager of the Automotive Components Division, and previously General Manager of Ford s Electrical and Fuel Handling Division. Mr. Womac had been, prior to the Visteon spin-off in June 2000, a Ford employee since 1966.

ITEM 4A. EXECUTIVE OFFICERS OF VISTEON (Continued)

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

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

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

Susan F. Skerker has been the company s Senior Vice President of Business Strategy and Corporate Relations since the company s formation in January 2000. Before that, she was Senior Director, Global Public Policy for Ford. Ms. Skerker had been, prior to the Visteon spin-off in June 2000, a Ford employee since 1973.

PART II

ITEM 5. MARKET FOR VISTEON S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Our common stock is listed on the New York Stock Exchange in the United States under the symbol VC . As of February 15, 2001, Visteon had 130,952,775 shares of its common stock $1.00 par value outstanding, which were owned by 138,661 stockholders of record. The table below shows the high and low sales prices for our Common Stock as reported by the New York Stock Exchange, and the dividends we paid per share of Common Stock for each quarterly period in 2000, since the Visteon spin-off in June 2000.

	2000	
	Third Quarter	Fourth Quarter
Common Stock price per share		
High	$19.25	$17.94

Low	$12.00	$9.75
Dividends per share of Common Stock	$.06	$.06

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data as of December 31, 2000 and for periods subsequent to our spin-off from Ford reflect our financial condition, results of operations and cash flows. Selected consolidated financial data for periods prior to our spin-off reflect the historical financial condition, results of operations and cash flows of the businesses that were considered part of the Visteon business of Ford during each respective period. The historical consolidated statement of income data set forth below do not reflect many significant changes that occurred in the operations and funding of our company as a result of our spin-off from Ford. The historical consolidated balance sheet data set forth below reflect the assets and liabilities that were transferred or expected to be transferred to our company in accordance with the master transfer agreement.

The selected consolidated financial data should be read in conjunction with, and are qualified by reference to, Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and accompanying notes included elsewhere in this report. The consolidated statement of income and cash flow data set forth for the years ended December 31, 2000, 1999, 1998, 1997 and 1996, and the consolidated balance sheet data as of December 31, 2000, 1999, 1998 and 1997 have been derived from our audited financial statements. The consolidated balance sheet data as of December 31, 1996 has been derived from our unaudited balance sheet as of December 31, 1996 which, in our opinion, includes all adjustments necessary for a fair statement of financial condition as of this date.

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

ITEM 6. SELECTED FINANCIAL DATA (Continued)

	Year Ended December 31,				
	2000	1999	1998	1997	1996
	(in millions, except per share amounts and percentages)				
Statement of Income Data:					
Sales:					
Ford and affiliates	$16,448	$17,105	$16,350	$16,003	$15,129
Other customers	3,019	2,261	1,412	1,217	1,368

Total sales	19,467	19,366	17,762	17,220	16,497
Costs and expenses:					
Costs of sales	18,025	17,503	15,969	15,794	15,392
Selling, administrative and other expenses	781	674	659	575	485
Asset impairment charge	220				
Total costs and expenses	19,026	18,177	16,628	16,369	15,877
Operating income	441	1,189	1,134	851	620
Interest income	109	79	38	17	16
Interest expense	167	143	82	82	79
Net interest expense	(58)	(64)	(44)	(65)	(63)
Equity in net income of affiliated companies	56	47	26	29	47

Income before income taxes	439	1,172	1,116	815	604
Provision for income taxes	143	422	416	305	223
Income before minority interests	296	750	700	510	381
Minority interests in net income (loss) of subsidiaries	26	15	(3)	(1)	(3)
Net income	$270	$735	$703	$511	$384
Basic and diluted earnings per share based on 130,000,000 shares outstanding	$2.08	$5.65	$5.41	$3.93	$2.95
Cash dividends declared	$0.12				
Statement of Cash Flows Data:					
Cash (used in) provided by operating activities	$(526)	$2,482	$1,376	$1,411	$1,178
Cash (used in) investing activities	(842)	(1,453)	(940)	(943)	(996)
Cash provided by (used in) financing activities	924	290	(234)	(251)	(189)

Other Financial Data:

Depreciation and amortization	$676	$651	$565	$590	$510
EBITDA	1,337	1,840	1,699	1,441	1,130
Capital spending	793	876	861	917	969
After tax return on:					
Sales	1.5%	3.9%	3.9%	3.0%	2.3%
Average assets	2.5%	6.9%	7.8%	6.3%	4.9%

	At December 31,				
	2000	1999	1998	1997	1996
	(in millions)				
Balance Sheet Data:					
Total assets	$11,325	$12,449	$9,373	$8,471	$7,967
Total debt	2,019	2,319	1,125	1,136	1,136
Total equity	3,505	1,499	1,655	1,204	977

EBITDA is defined as income before provision for interest expense and interest income, income taxes, depreciation and amortization, asset impairment charges, equity in net income of affiliated companies and minority interests. EBITDA is not presented as an alternative measure of operating results or cash flow from operations, as determined in accordance with generally accepted accounting principles, but is presented because we believe it is a widely accepted indicator of our ability to incur and service debt. EBITDA does not give effect to cash used for debt service requirements and thus does not reflect funds available for dividends, reinvestment or other discretionary uses. In addition, EBITDA as presented may not be comparable to similarly titled measures reported by other companies.

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

This section summarizes significant factors affecting the company s consolidated operating results, financial condition and liquidity for the three-year period ended December 31, 2000. This section should be read in conjunction with the company s Consolidated Financial Statements and related notes appearing elsewhere in this report.

Overview

Visteon Corporation (Visteon) is a leading, global supplier of automotive systems, modules and components. We sell our products primarily to global vehicle manufacturers, and also to the worldwide aftermarket for replacement and vehicle appearance enhancement parts. We operate in three business segments: Comfort, Communication & Safety; Dynamics & Energy Conversion; and Glass.

Our world headquarters is located in Dearborn, Michigan. We also maintain regional headquarters in Cologne, Germany (Europe/ Africa/ Middle East region), Tokyo, Japan (Asia-Pacific region) and Sao Paulo, Brazil (South America region). We maintain technical facilities/sales offices and plants in 25 countries throughout the world.

Ford Motor Company (Ford) established Visteon as a wholly-owned subsidiary in January 2000, and subsequently transferred to Visteon the assets and liabilities comprising Ford s automotive components and systems business. Ford completed its spin-off of Visteon on June 28, 2000.

Worldwide sales were $19.5 billion in 2000, compared with 1999 sales of $19.4 billion. Our worldwide net income was $270 million in 2000, compared with 1999 actual net income of $735 million. The decrease in net income compared with 1999 reflects price reductions and a non-cash impairment write-down in 2000 associated with our Glass segment, offset partially by cost reductions achieved in material and manufacturing costs. The 2000 price reductions included a one-time price realignment of 5% that resulted from a joint Ford-Visteon competitive pricing study intended to make Visteon s prices competitive with third party competitors. The Glass impairment write-down of $138 million after taxes reflects an adjustment to the net book value of assets associated with the Glass segment based on revised estimates of the fair value of the Glass assets. We presently are evaluating alternatives for the Glass business and are committed to finding an acceptable business solution. Excluding the 2000 Glass impairment charge, 2000 net income would have been $408 million, an increase of $127 million compared with 1999 pro forma net income of $281 million. For further discussion of pro forma adjustments, please refer to Results of Operations Pro Forma 1999 Results below.

Our focus during 2000 was to solidly establish Visteon as an independent company. We believe we achieved this goal. We also achieved our 2000 milestones:

Earnings Excluding the one-time Glass impairment charge, 2000 earnings were $408 million, up 45% compared with 1999 pro forma levels. Our milestone was to improve earnings by 35% before any major unusual factors.

New Business Visteon exceeded its milestone of securing $2.5 billion in new business in 2000. The company won a record $2.6 billion in annual new business. Of the new business won, 37% was non-Ford and 31% was outside of North America.

Cost Reduction We achieved cost savings totaling $590 million. This exceeded our milestone by $140 million.

Operating Cash Flow Our operating cash flow adjusted for acquisitions, dividends, and independence actions totaled $225 million in 2000. This exceeded Visteon s milestone, which was to achieve positive operating cash flow in 2000.

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

Quality Visteon improved 2000 quality by 44%, exceeding our milestone of a 30% improvement.

Results of Operations

2000 Compared with 1999

The following table shows the increase/(decrease) in full year 2000 sales for each of our segments:

	2000

	Year Ended December 31,		over/(under) 1999
	2000	1999	Amount
	(in millions)		
Comfort, Communication & Safety	$9,782	$9,377	$405
Dynamics & Energy Conversion	8,939	9,216	(277)
Glass	746	773	(27)
Total sales	$19,467	$19,366	$101

Sales in 2000 totaled $19.5 billion compared with $19.4 billion in 1999, an increase of $101 million or 0.5%. Sales for our Comfort, Communication & Safety segment were $9.8 billion, compared with $9.4 billion in 1999. Sales for our Dynamics & Energy Conversion segment were $8.9 billion, down $277 million or 3% from 1999. Glass sales were $746 million in 2000, compared with $773 million in 1999. The increase in sales for our Comfort, Communication & Safety segment reflected the full year impact of about $620 million associated with the consolidations of prior year acquisitions, including Halla Climate Control Corporation, Duck Yang Industry Co., Ltd., and the automotive interiors division of Compagnie Plastic Omnium. In addition, sales for our Comfort, Communication & Safety segment also increased due to increased Ford sales volume. These increases were offset partially by price reductions granted to Ford and other customers, and unfavorable currency fluctuations. The decrease in sales for the Dynamics & Energy Conversion and Glass segments reflected primarily price reductions granted to Ford and other customers, offset partially by increased Ford sales volumes. Price reductions granted to Ford in 2000 included a one-time 5% price reduction on production parts that Visteon was supplying to Ford, based on a market pricing review conducted by Ford and Visteon, and a 3.5% productivity price reduction on those same parts.

The following table shows the change in net income/(loss) for each of our segments:

	Year Ended December 31,		2000 (under) 1999
	2000	1999	Amount
	(in millions)		
Comfort, Communication & Safety	$302	$422	$(120)
Dynamics & Energy Conversion			

	154	344	(190)
Glass	(156)	3	(159)
Total net income (including unallocated interest)	$270	$735	$(465)

Net income in 2000 totaled $270 million compared with $735 million in 1999, a decrease of $465 million or 63.3%. The decline reflected primarily price reductions granted to Ford and other customers and a non-cash impairment write-down of our Glass segment of $138 million after taxes. Net income for the Comfort, Communication & Safety segment was $302 million in 2000,

down $120 million from 1999. The reduction reflected primarily price reductions and unfavorable currency fluctuations, offset partially by higher Ford sales volume and the full year impact of prior year s acquisitions, and lower material and manufacturing cost. Net income for our Dynamics & Energy Conversion segment was $154 million in 2000, a decrease of $190 million compared with 1999. The decline reflected primarily price reductions, offset partially by material and manufacturing cost savings. The net loss for our Glass segment was $156 million compared with net income of $3 million a year ago. The decline reflected primarily the non-cash impairment write-down of $138 million after taxes and price reductions, offset partially by manufacturing cost reductions.

1999 Compared with 1998

The following table shows the increase in sales for each of our segments:

	Year Ended December 31,		1999 over 1998
	1999	1998	Amount
	(in millions)		
Comfort, Communication & Safety	$9,377	$8,337	$1,040
Dynamics & Energy Conversion	9,216	8,673	543
Glass			

	773	752	21
Total sales	$19,366	$17,762	$1,604

Sales in 1999 totaled $19.4 billion compared with $17.8 billion in 1998, an increase of $1.6 billion or 9%. Sales for our Comfort, Communication & Safety segment were $9.4 billion, compared with $8.3 billion in 1998, an increase of 12.5%. Sales for the Dynamics & Energy Conversion segment were $9.2 billion, up $543 million or 6.3% from 1998. Glass sales were $773 million in 1999, compared with $752 million in 1998, an increase of 2.8%. The increase in sales for each segment reflected primarily higher sales to Ford and other customers. In addition, sales for our Comfort, Communication & Safety segment increased by $415 million because of the consolidation of Halla Climate Control Corporation and by $260 million as a result of our June 1999 acquisition of the automotive interiors division of Compagnie Plastic Omnium. These increases were offset partially by price reductions granted to Ford and our other customers.

The following table shows the change in net income/(loss) for each of our segments:

	Year Ended December 31,		1999 over/(under) 1998
	1999	**1998**	**Amount**
	(in millions)		
Comfort, Communication & Safety	$422	$452	$(30)
Dynamics & Energy Conversion	344	294	50
Glass	3	(15)	18
Total net income (including unallocated interest)	$735	$703	$32

Net income for our Comfort, Communication & Safety segment was $422 million in 1999, down $30 million from 1998. The reduction reflected primarily price reductions and increased costs associated with engineering future products, offset largely by material and manufacturing cost reductions and to a lesser extent by higher sales volume. Net income for our Dynamics & Energy Conversion segment was $344 million in 1999, an increase of $50 million, reflecting lower costs and higher sales volume, offset partially by price reductions. Net income for our Glass segment was $3 million, an improvement of $18 million from 1998. The improvement was

accounted for primarily by lower costs and higher sales volume, offset partially by reduced prices.

Pro Forma 1999 Results

We have prepared unaudited pro forma condensed consolidated financial statements, which appear in the Unaudited Pro Forma Condensed Consolidated Financial Statements section of our prospectus dated June 13, 2000, as filed with the SEC on June 14, 2000. The pro forma condensed consolidated statement of income for 1999 provides additional information on our operations as if the spin-off and our separation from Ford had occurred as of January 1, 1999. The pro forma condensed consolidated statement of income does not purport to be indicative of what our operations actually would have been had these events occurred as of that date.

In connection with the preparation of the unaudited pro forma statement of income, we made the following significant adjustments:

Our sales in 1999 would have decreased by about $690 million, to $18.7 billion had the one-time 5% price reduction effective as of January 1, 2000 been in effect for 1999. The 5% reduction, which is based on a market pricing review conducted by Ford and us, was designed to make our prices competitive with third party competitors.

Our costs of sales in 1999 would have decreased by about $142 million, to about $17.4 billion, primarily as a result of a $146 million decrease in compensation for our hourly workforce. This adjustment reflects our agreement with Ford that our profit sharing payment liability, based on Ford s profits and paid to Ford workers that are assigned to us, will be limited to $50 million per year in each of the years 2000-2004.

Our selling, administrative and other expenses in 1999 would have increased by about $102 million, to $776 million, principally as a result of management s operating Visteon as a stand-alone company. These added costs are comprised of incremental corporate costs and, to a lesser extent, incremental insurance and risk management costs.

Our interest income in 1999 would have decreased by about $44 million, to $35 million, as a result of reductions in our pro forma cash balances. Because of an increase in our average outstanding debt levels, our interest expense would have increased by about $33 million, to $176 million.

As a result of these and other adjustments, our net income in 1999 would have decreased from $735 million to

$281 million.

Recent Factors that May Affect Future Results

Excluding the 2000 fourth quarter Glass impairment write-down, Visteon s 2000 second half results were down from strong 2000 first half results (See Note 16 Summary Quarterly Financial Data , of our Consolidated Financial Statements, on page 41 of this report). We expect automotive industry conditions in 2001 to be consistent with conditions existing late in 2000. Lower automotive industry volume, the general slowing of the U.S. economy, continued price pressures on vehicle manufacturers and automotive suppliers, and possible customer program deferrals are contributing to an uncertain outlook. Although most underlying fundamentals remain strong, the impact of the vehicle manufacturer s ability to rebalance inventories and the trend of retail sales are important unknowns that may impact 2001, particularly early in the year.

In December 2000, we announced that we would be streamlining our organization to improve our customer focus, while maintaining our strong heritage as a manufacturing and engineering

organization. This organizational realignment is presently in process and is expected to be completed in early 2001.

Liquidity and Capital Resources

Our balance sheet reflects cash and marketable securities of $1.5 billion and total debt of $2.0 billion at December 31, 2000, and cash and marketable securities of $1.8 billion and total debt of $2.3 billion at December 31, 1999. All debt at December 31, 2000, was owed to third parties. Total debt at December 31, 1999, consisted of $1.1 billion owed to Ford under an intra-company revolving loan agreement, about $800 million owed by Visteon subsidiaries to Ford subsidiaries, and the remainder owed to third parties.

Total debt exceeded cash and marketable securities by $542 million at December 31, 2000, and by $470 million at December 31, 1999. Our ratio of total debt to total capital, which consists of total debt plus equity, was 37% at December 31, 2000, and 61% at December 31, 1999. The change in the ratio of total debt to total capital is primarily due to effects associated with our spin-off from Ford and lower debt levels.

During 2000, we established a commercial paper program providing up to $2 billion of borrowing ability. We also entered into financing arrangements with third-party lenders to provide up to a total of $2 billion of contractually committed, unsecured revolving credit facilities. These facilities are evenly split between 364-day and 5-year commitments, maturing in June 2001 and June 2005, respectively. Any borrowings under the revolving credit facilities would bear interest based on a variable interest rate option selected at the time of borrowing. We intend to use the commercial paper program as our primary short-term financing source and do not intend to exceed $2 billion of aggregate borrowing under the commercial paper program and revolving credit facilities. As of December 31, 2000, the outstanding balance under our commercial paper program was $352 million, and we had no borrowings under our revolving credit facilities.

On August 3, 2000, we completed a public offering of unsecured term debt securities totaling $1.2 billion with maturities of five years and ten years. The proceeds of the offering were used to repay an amount previously outstanding under an unsecured, third-party financing arrangement. We have about $800 million available under a shelf registration statement on file with the Securities and Exchange Commission through which we are able to issue a variety of debt instruments.

Our intra-year cash fluctuations are impacted by the volume and timing of worldwide vehicle production. Examples of seasonal effects in the industry include the shut-down of operations for about two weeks in July, the subsequent ramp-up of new model production and the additional one-week shut-down in December by our primary North American customers. We believe that we have sufficient financial flexibility to fund these fluctuations and to access the capital markets on satisfactory terms and in adequate amounts, although there can be no assurance that this will be the case. We expect cash flow from operations and borrowings to fund requirements for working capital, capital expenditures, research and development, pension funding, dividend and debt service for at least the next year.

Cash Flows

Operating Activities

Net cash flows used by operating activities totaled $526 million for the year ended December 31, 2000, compared with net cash flows provided by operating activities of $2.5 billion and $1.4 billion in 1999 and 1998, respectively. The decrease in 2000 was caused primarily by

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changes in payables, receivables and other working capital items resulting primarily from effects associated with our spin-off from Ford.

Investing Activities

Cash used in investing activities was $842 million, $1.5 billion and $940 million in 2000, 1999 and 1998, respectively. The primary use of cash for investing activities in each year was for capital expenditures. In addition, in 1999 Visteon acquired the automotive interiors division of Compagnie Plastic Omnium, headquartered in France, for about $479 million, and increased our ownership in Halla Climate Control Corporation to 70% by purchasing an additional 35% interest, for $84 million. In 1998, we made several acquisitions totaling $108 million, including PABA, Inc. (now Visteon Climate Control Systems), two manufacturing sites in Poland, and Zexel Innovation.

Our capital expenditures were $793 million in 2000, $876 million in 1999 and $861 million in 1998, with about 46% in each year spent on Comfort, Communications & Safety and about 46% in each year spent on Dynamics & Energy Conversion, and the remaining expenditures attributed to the Glass Division. We plan to manage our capital spending in 2001 so that it is about equal to or below 2000 levels. Our capital expenditures are used primarily for machinery and equipment to support our customers new product programs. Our capital expenditure program promotes our growth-oriented business strategy by investing in core areas, where efficiencies and profitability can be enhanced, and by targeting funds for new innovative technologies, where long-term growth opportunities can be realized. Capital expenditures also will be used for expansion into new markets outside of the United States and the continued implementation of lean manufacturing strategies.

Financing Activities

Cash provided by financing activities totaled $924 million and $290 million in 2000 and 1999, respectively, compared with cash used in financing activities of $234 million in 1998. Cash provided by financing activities in 2000 included primarily proceeds from issuance of commercial paper and the net increase of other third party debt. Proceeds from our offering of unsecured term debt securities were used to repay the amount previously outstanding under an unsecured, short-term financing arrangement. Cash provided by financing activities in 1999 included primarily additional debt associated with acquisition activities.

On January 10, 2001, the Visteon Board of Directors declared a dividend of $0.06 per share on the company s common stock, payable on March 1, 2001 to shareholders of record as of January 30, 2001. The dividend declared by the Visteon Board of Directors on October 11, 2000, was paid on December 1, 2000.

Pension and Postretirement Benefits

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

Ford retained pension and postretirement health care and life insurance obligations for certain Visteon-designated employees of Ford who retired prior to the spin-off. In addition, Ford retained the pension obligation related to benefits earned through the spin-off date for certain active U.S. salaried Visteon employees that met specific age and years of service requirements. Visteon-assigned Ford-UAW hourly employees participate in the Ford-UAW Retirement Plan,

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sponsored by Ford. By agreement, Visteon compensates Ford for the pension expense incurred by Ford for these employees. Also by agreement, Visteon is required to pre-fund postretirement health care and life insurance benefit obligations related to Visteon-assigned Ford-UAW hourly employees as well as certain salaried employees. For the hourly employees, the required pre-funding is over a 15 year period beginning in 2006, for salaried employees, over a 10 year period beginning in 2011. The annual pre-funding requirement during this period will be determined based upon amortization of the unfunded liability at the beginning of the period, plus annual expense. In December 2000, the company pre-funded a portion of this obligation by contributing $25 million to a Voluntary Employees Beneficiary Association (VEBA) trust.

New Accounting Standards and Changes

New Standards

Statement of Financial Accounting Standards No. 133 (SFAS 133), Accounting for Derivative Instruments and Hedging Activities, was issued by the Financial Accounting Standards Board in June 1998. SFAS 133 (as amended by SFAS 138) establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities, and must be adopted beginning January 1, 2001. It requires recognition of all derivatives as either assets or liabilities on the balance sheet and measurement of those instruments at fair value. We have determined that the impact of adopting the new standard on Visteon s financial condition and results of operations will not be material.

Staff Accounting Bulletin No. 101 (SAB No. 101), Revenue Recognition in Financial Statements, was issued by the Securities and Exchange Commission in December 1999. SAB No. 101 provides guidance on applying generally accepted accounting principles to the recognition, presentation and disclosure of revenue in financial statements, and must be implemented by the fourth quarter of 2000. The implementation of SAB No. 101 did not have a significant impact on our financial condition or results of operations.

Accounting Changes

Beginning in 1999, we changed from an accelerated method to the straight-line method for amortization of special tooling. This change was made to recognize that special tooling retains its value more uniformly over time.

Beginning in 1999, we also modified our plant and equipment retirement policy to reflect gains and losses in income in the year of retirement. Previously, the cost of retired assets, net of salvage proceeds, was charged to accumulated depreciation. The change in accounting principle for plant and equipment retirement was made to better reflect the results of asset disposal/sale decisions.

Adoption of these accounting changes did not have a material effect on our financial statements.

Cautionary Statement for Forward-Looking Information

This section contains forward-looking statements made pursuant to the Private Securities Litigation Reform Act of 1995. Words such as anticipate, expect, intend, plan, believe, seek and estimate signify forward-looking st Forward-looking statements are not guarantees of future results and conditions but rather are subject to various risks and uncertainties. Some of these risks and uncertainties are and will be identified as Risk Factors in our SEC filings. See the Risk Factors section of our Report on Form 8-K as filed with the

SEC on February 27, 2001. The risks and uncertainties so identified are not the only ones facing our company. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial also may adversely affect us. Should any risks and uncertainties develop into actual events, these developments could have material adverse effects on our business, financial condition and results of operations. For these reasons, we caution you not to place undue reliance on our forward-looking statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Foreign Currency Risk

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

As of December 31, 2000, our primary foreign exchange exposure includes the euro, the Mexican peso, and the Canadian dollar. Because of the mix between our costs and our revenues in various regions, we generally are exposed to weakening of the euro and to strengthening of the Mexican peso and Canadian dollar. For transactions in these currencies, we utilize a strategy of partial coverage. As of December 31, 2000, our coverage for projected transactions in these currencies was about 50% for 2001. As of December 31, 2000, a 10% adverse change in exchange rates from prevailing rates for all of these currencies would result in an adverse impact on net income of about $20 million on an annual basis. The impact of a comparable change in exchange rates on net income as of December 31, 1999, would not be materially different.

Interest Rate Risk

As of December 31, 2000 about two-thirds of our borrowings were on a fixed rate basis. The remainder of Visteon s borrowing is on a variable rate basis and is subject to changes in short-term interest rates. We believe our overall exposure to changes in interest rates is not material. Because our exposure to interest rate fluctuations is limited, we did not enter into any derivative instruments to manage interest rate risk during 2000.

Commodity Risk

We have entered into long term agreements with some of our key suppliers of non-ferrous metals to protect Visteon from changes in market prices. In addition, some products Visteon manufactures and sells to Ford containing non-ferrous metals are price adjusted monthly based on metal content and market price. Precious metals (for catalytic converter production) are purchased through a Ford directed-source; Ford accepts all market price risk. As a result, we have no need presently to enter into financial derivatives to hedge these potential exposures. The risk to these exposures may be managed with the use of financial derivatives if, in the future, we enter into floating price contracts with our key suppliers.

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

Natural gas is a commodity Visteon uses in its manufacturing processing, related primarily to glass production, as well as for heating our facilities. Historical risk has been low for this commodity because of plentiful supply and a stable market over the last 5 years. It has been Visteon s practice to purchase short term, fixed-priced contracts for approximately 50% of our usage. Based on recent natural gas price volatility in the United States, we are partially exposed to market price risk. As of December 31, 2000, a 10% adverse change in natural gas prices would result in an adverse impact on net income of about $6 million on an annual basis.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our Consolidated Financial Statements, the accompanying Notes and the Report of Independent Accountants that are filed as part of this Report are listed under Item 14, Exhibits, Financial Statement Schedules, and Reports on Form 8-K , and are set forth on pages 20 through 41 of this Report.

Selected quarterly financial data for us and our consolidated subsidiaries for 2000 and 1999 are presented in Note 16 of our Notes to Financial Statements on page 41 of this Report.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF VISTEON

The information required by Item 10 regarding our directors is incorporated by reference from the information under the captions Proposals Election of Directors , Board of Directors Directors Continuing in Office and Appendix B Stockholdings in our 2001 Proxy Statement. The information required by Item 10 regarding our executive officers appears as Item 4A under Part I of this Report.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated by reference from the information under the following captions in our 2001 Proxy Statement: Board of Directors Director Compensation , Compensation Committee Report on Executive Compensation , Executive Compensation and Appendix C Executive Compensation .

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by Item 12 is incorporated by reference from the information under the caption Appendix B Stockholdings in our 2001 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by Item 13 is incorporated by reference from the information under the caption Proposals Election of Directors in our 2001 Proxy Statement.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

Page No.

(a) 1. Consolidated Financial Statements

December 31, 2000, 1999 and 1998 23
Consolidated Statement of Stockholders Equity for the years ended December 31, 2000, 1999 and 1998 24
Notes to Financial Statements 25
2. Financial Statement Schedules
None
3. Exhibits
Refer to the Exhibit Index on page 42 of this report.
(b) Reports on Form 8-K

Visteon filed the following Current Reports on Form 8-K during the quarter ended December 31, 2000:

Current Report on Form 8-K dated October 13, 2000, included information relating to Visteon s Board of Directors declaring a cash dividend.

Current Report on Form 8-K dated October 13, 2000, included information relating to an action filed by Visteon to enforce a joint venture with Lernout and Hauspie.

Current Report on Form 8-K dated October 17, 2000, included information relating to Visteon s completing sale of its 49% interest in the Conix Group to Decoma International, Inc.

Current Report on Form 8-K dated October 19, 2000, included information relating to Visteon s third quarter 2000 financial results.

Current Report on Form 8-K dated November 3, 2000, included information relating to Visteon s ended discussions with Pilkington plc that would have resulted in the sale of its Glass segment to Pilkington.

Current Report on Form 8-K dated December 6, 2000, included information relating to Visteon s expected fourth quarter 2000 earnings and an impairment charge related to its Glass segment.

SIGNATURES

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

VISTEON CORPORATION

By: /s/ PETER J. PESTILLO*

Peter J. Pestillo

Date: February 27, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on February 27, 2001, by the following persons on behalf of Visteon Corporation and in the capacities indicated.

Signature	Title
/s/ PETER J. PESTILLO*	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
Peter J. Pestillo /s/ MICHAEL F. JOHNSTON*	President and Chief Operating Officer
Michael F. Johnston /s/ DANIEL R. COULSON*	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Daniel R. Coulson /s/ PHILIP G. PFEFFERLE*	Vice President and Controller (Principal Accounting Officer)
Philip G. Pfefferle /s/ WILLIAM H. GRAY, III*	Director
William H. Gray, III /s/ STEVEN K. HAMP*	Director
Steven K. Hamp /s/ ROBERT H. JENKINS*	Director
Robert H. Jenkins /s/ CHARLES L. SCHAFFER*	Director
Charles L. Schaffer /s/ ROBERT M. TEETER*	Director
Robert M. Teeter *By: /s/ STACY L. FOX	
Stacy L. Fox *Attorney-in-Fact*	

REPORT OF INDEPENDENT ACCOUNTANTS

To Board of Directors and Stockholders

Visteon Corporation

In our opinion, the consolidated financial statements listed in the index appearing under Item 14(a)(1) on page 18 present fairly, in all material respects, the financial position of Visteon Corporation and its subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the company s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Detroit, Michigan

January 17, 2001

VISTEON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

	For the Years Ended December 31,		
	2000	1999	1998
	(in millions, except per share amounts)		
Sales (Notes 2 and 11)			
Ford and affiliates	$16,448	$17,105	$16,350
Other customers	3,019	2,261	1,412
Total sales	19,467	19,366	17,762
Costs and expenses (Notes 2, 11 and 13)			
Costs of sales			

	18,025	17,503	15,969
Selling, administrative and other expenses	781	674	659
Asset impairment charge (Note 13)	220		
Total costs and expenses	19,026	18,177	16,628
Operating income	441	1,189	1,134
Interest income	109	79	38
Interest expense	167	143	82
Net interest expense	(58)	(64)	(44)
Equity in net income of affiliated companies (Notes 2 and 13)	56	47	26
Income before income taxes	439	1,172	1,116
Provision for income taxes (Note 5)	143	422	416
Income before minority interests	296	750	700
Minority interests in net income/(loss) of subsidiaries	26	15	(3)

Net income	$270	$735	$703
Average number of shares of Common Stock outstanding (Note 2)	130	130	130
Earnings and dividends per share (Note 2)			
Basic and diluted	$2.08	$5.65	$5.41
Cash dividends	$0.12	$	$

The accompanying notes are part of the financial statements.

VISTEON CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	December 31,	
	2000	1999
	(in millions)	
Assets		
Cash and cash equivalents	$1,412	$1,849
Marketable securities	65	
Total cash and marketable securities	1,477	1,849
Accounts and notes receivable Ford and affiliates	1,333	1,578
Accounts receivable other customers	857	613

Total receivables	2,190	2,191
Inventories (Note 3)	948	751
Deferred income taxes	192	110
Prepaid expenses and other current assets	198	295
Total current assets	5,005	5,196
Equity in net assets of affiliated companies	142	205
Net property (Note 4)	5,497	5,789
Deferred income taxes	100	362
Other assets	581	897
Total assets	$11,325	$12,449
Liabilities and Stockholders Equity		
Trade payables	$1,949	$3,150
Accrued liabilities (Note 6)	1,086	1,211
Income taxes payable	147	153
Debt payable within one year (Note 8)	622	961
Total current liabilities	3,804	5,475
Long-term debt (Note 8)	1,397	1,358
Other liabilities (Note 6)	2,601	3,964
Deferred income taxes	18	153

Total liabilities
7,820 10,950

Stockholders equity

Capital stock (Note 9)

Preferred Stock, par value $1.00, 50 million shares authorized, none outstanding

Common Stock, par value $1.00, 500 million shares authorized, 131 million shares issued and outstanding
131

Capital in excess of par value of stock
3,311

Prior owner s net investment
1,566

Accumulated other comprehensive income
(179) (67)

Other
(12)

Earnings retained for use in business
254

Total stockholders equity
3,505 1,499

Total liabilities and stockholders equity
$11,325 $12,449

The accompanying notes are part of the financial statements.

VISTEON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Years Ended December 31,		
	2000	1999	1998
	(in millions)		
Cash and cash equivalents at January 1	$1,849	$542	$344
Cash flows (used in)/provided by operating activities (Note 14)	(526)	2,482	1,376
Cash flows from investing activities			
Capital expenditures	(793)	(876)	(861)
Acquisitions and investments in joint ventures, net	(28)	(579)	(108)
Purchases of securities	(126)		
Sales and maturities of securities	61		
Other	44	2	29
Net cash used in investing activities	(842)	(1,453)	(940)
Cash flows from financing activities			
Cash distributions from/(to) prior owner	85	(558)	(267)
Commercial paper issuances, net	352		
Payments on short-term debt	(1,775)		
Proceeds from issuance of short-term debt	1,374	493	34
Proceeds from issuance of other debt	1,279	816	96
Principal payments on other debt	(290)	(361)	(149)
Cash dividends	(16)		
Other	(85)	(100)	52

Net cash provided by/(used in) financing activities	924	290	(234)
Effect of exchange rate changes on cash	7	(12)	(4)

Net (decrease)/increase in cash and cash