VISTEON CORP
Form 10-Q/A
March 16, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A
(Amendment No. 1)

(Mark One)

x

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

For the quarterly period ended March 31, 2004, or

o

**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	**38-3519512**
(State of incorporation)	(I.R.S. employer Identification number)
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

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 is an accelerated filer (as defined in Exchange Act Rule 12b-2).

Yes ü No___

As of March 1, 2005, the Registrant had outstanding 128,678,345 shares of common stock, par value $1.00 per share.

Exhibit index located on page number 40.

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VISTEON CORPORATION AND SUBSIDIARIES

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-Q/ A(Form 10-Q/ A) to our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2004, initially filed with the Securities and Exchange Commission (the SEC) on May 3, 2004 (the Original Filing), is being filed to reflect restatements of our consolidated balance sheets at March 31, 2004 and December 31, 2003; and our consolidated statement of operations for each of the periods ended March 31, 2004 and March 31, 2003, and the notes related thereto. The restatements primarily pertain to the following matters identified during the course of preparing Visteon s 2004 financial statements:

Effective in January 2002, and again in January 2004, Visteon amended its retiree health care benefits plans for certain of its U.S. employees. These amendments changed the eligibility requirements for participants in the plans, and, as a result, Visteon changed the expense attribution periods. We have determined that these changes in eligibility requirements were not properly communicated to affected employees, and, therefore, the revision to the expense attribution periods, which resulted in expense reductions, should not have been made. The impact of the correction of these errors decreased net income by approximately $5 million ($0.04 per share) and increased net loss by approximately $4 million ($0.03 per share) for the quarters ended March 31, 2004 and March 31, 2003, respectively.

Visteon is making corrections for certain tooling costs originally recorded as receivables. Costs incurred for Visteon-owned tooling used in production have been adjusted to reflect such costs as long-term assets and to provide related amortization expense. Non-reimbursable costs incurred to develop customer-owned tooling have been expensed in the periods such costs were incurred. There was no impact of the correction of these errors on net income for the quarters ended March 31, 2004 and March 31, 2003.

Visteon is making corrections for certain volume related rebates, received from numerous capital equipment suppliers for purchases, which were originally recognized as a reduction to expense. Costs incurred for capital equipment have been adjusted to reflect such discounts as a reduction to long-term assets and to adjust related depreciation and amortization expense. The impact of the correction of these errors increased net loss by approximately $2 million ($0.01 per share) for the quarter ended March 31, 2004.

During the review of our annual United Kingdom pension valuations, we identified unrecorded pension expenses incurred as a result of special termination benefits provided under Visteon s European Plan for Growth program. The impact of the correction of these errors decreased net income by approximately $3 million ($0.02 per share) for the quarter ended March 31, 2004.

Visteon also identified unrecorded postretirement health care expenses at one of Visteon s foreign locations. There was no impact of the correction of these errors on net income for the quarters ended March 31, 2004 and March 31, 2003.

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Visteon is correcting the amount and timing of the recognition of certain tax adjustments made during the periods. As Visteon expects to repatriate earnings of foreign subsidiaries, adjustments were made to provide for the tax effects of foreign currency movements against the U.S. dollar. These adjustments also impacted the timing of the recognition of deferred tax asset valuation allowances in the fourth quarter of 2003 and the third quarter of 2004. Further, Visteon recognized an additional valuation allowance for certain deferred tax assets that had previously been misclassified and not considered in Visteon s 2003 deferred tax assessment. There was no impact of the correction of these errors on net income for the quarters ended March 31, 2004 and March 31, 2003.

For a more detailed description of these restatements, see Note 2, Restatement of Financial Statements to the accompanying consolidated financial statements contained in this Form 10-Q/A. The decision to restate Visteon s consolidated financial statements was previously announced in a press release that was filed with the SEC as part of a Current Report on Form 8-K of Visteon dated January 31, 2005.

Although this Form 10-Q/ A sets forth the Original Filing in its entirety, this Form 10-Q/ A only amends and restates Items 1, 2 and 4 of Part I, Item 6 of Part II and Exhibit 12.1 of Item 6 of Part II of the Original Filing, in each case, solely as a result of, and to reflect, the restatement, and no other information in the Original Filing is amended hereby. The foregoing items have not been updated to reflect other events occurring after the Original Filing or to modify or update those disclosures affected by subsequent events. In addition, pursuant to the rules of the SEC, Item 6 of Part II of the Original Filing has been amended to contain the consent of our independent registered public accounting firm and currently-dated certifications from our Chief Executive Officer and Chief Financial Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The consent of the independent registered public accounting firm and the certifications of our Chief Executive Officer and Chief Financial Officer are attached to this Form 10-Q/ A as Exhibits 15.1, 31.1, 31.2, 32.1 and 32.2, respectively.

Except for the foregoing amended information, this Form 10-Q/ A continues to describe conditions as of the date of the Original Filing, and we have not updated the disclosures contained herein to reflect events that occurred at a later date. Other events occurring after the filing of the Original Filing or other disclosures necessary to reflect subsequent events have been or will be addressed in either our amended Quarterly Reports on Form 10-Q/ A for the quarterly periods ended June 30, 2004 and/or September 30, 2004, which are being filed concurrently with the filing of this Form 10-Q/ A, or by our Annual Report on Form 10-K for the year ended December 31, 2004, when filed, or other reports filed with the SEC subsequent to the date of this filing.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VISTEON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME
For the Periods Ended March 31, 2004 and 2003
(in millions, except per share amounts)

	First Quarter	
	2004	2003
	(Restated)	(Restated)
	(unaudited)	
Sales		
Ford and affiliates	$ 3,637	$ 3,721
Other customers	1,335	983
Total sales	4,972	4,704
Costs and expenses (Notes 3 and 5)		
Costs of sales	4,656	4,481
Selling, administrative and other expenses	265	244
Total costs and expenses	4,921	4,725
Operating income (loss)	51	(21)
Interest income	4	4
Interest expense	23	23
Net interest expense	(19)	(19)
Equity in net income of affiliated companies (Note 3)	11	15
Income (loss) before income taxes	43	(25)
Provision (benefit) for income taxes (Note 3)	14	(14)
Income (loss) before minority interests	29	(11)
Minority interests in net income of subsidiaries	9	8
Net income (loss)	$ 20	$ (19)
Earnings (loss) per share (Note 9)		
Basic	$ 0.16	$ (0.15)
Diluted	0.16	(0.15)
Cash dividends per share	$ 0.06	$ 0.06

The accompanying notes are part of the financial statements.

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VISTEON CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(in millions)

	March 31, 2004	December 31, 2003
	(Restated) (unaudited)	(Restated)
Assets		
Cash and cash equivalents	$ 1,187	$ 953
Marketable securities	1	3
Total cash and marketable securities	1,188	956
Accounts receivable Ford and affiliates	1,476	1,175
Accounts receivable other customers (Note 7)	1,184	1,185
Total receivables, net (Note 3)	2,660	2,360
Inventories (Note 12)	828	761
Deferred income taxes	163	163
Prepaid expenses and other current assets	186	143
Total current assets	5,025	4,383
Equity in net assets of affiliated companies	225	215
Net property	5,379	5,365
Deferred income taxes	716	700
Other assets	277	270
Total assets	$ 11,622	$ 10,933
Liabilities and Stockholders Equity		
Trade payables	$ 2,457	$ 2,270
Accrued liabilities	1,003	930
Income taxes payable	39	31
Debt payable within one year	276	351
Total current liabilities	3,775	3,582
Long-term debt	1,945	1,467
Postretirement benefits other than pensions	581	515
Postretirement benefits payable to Ford	2,079	2,090
Other liabilities	1,491	1,508
Total liabilities	9,871	9,162
Stockholders equity		
Capital stock		
Preferred Stock, par value $1.00, 50 million shares authorized, none outstanding		
Common Stock, par value $1.00, 500 million shares authorized, 131 million shares issued, 129 million and 131 million shares outstanding, respectively	131	131
Capital in excess of par value of stock	3,297	3,288
Accumulated other comprehensive (loss) (Note 13)	(80)	(54)
Other	(34)	(19)
Accumulated deficit	(1,563)	(1,575)
Total stockholders equity	1,751	1,771

Total liabilities and stockholders equity	$ 11,622	$ 10,933

The accompanying notes are part of the financial statements.

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VISTEON CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Periods Ended March 31, 2004 and 2003
(in millions)

	First Quarter	
	2004	2003
	(Restated)	(Restated)
	(unaudited)	
Cash and cash equivalents at January 1	$ 953	$ 1,204
Cash flows provided by (used in) operating activities	103	(135)
Cash flows from investing activities		
Capital expenditures	(196)	(181)
Purchases of securities		(48)
Sales and maturities of securities	3	70
Other		6
Net cash used in investing activities	(193)	(153)
Cash flows from financing activities		
Commercial paper repayments, net	(54)	(17)
Other short-term debt, net	(19)	
Proceeds from issuance of other debt, net of issuance costs	474	36
Principal payments on other debt	(12)	(27)
Purchase of treasury stock	(11)	(5)
Cash dividends	(8)	(8)
Other, including book overdrafts	(42)	(1)
Net cash provided by (used in) financing activities	328	(22)
Effect of exchange rate changes on cash	(4)	2
Net increase (decrease) in cash and cash equivalents	234	(308)
Cash and cash equivalents at March 31	$ 1,187	$ 896

The accompanying notes are part of the financial statements.

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VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
(unaudited)

NOTE 1. Financial Statements

The financial data presented herein are unaudited, but in the opinion of management reflect those adjustments, including normal recurring adjustments, necessary for a fair statement of such information. Results for interim periods should not be considered indicative of results for a full year. Reference should be made to the consolidated financial statements and accompanying notes included in the company s Annual Report on Form 10-K for the fiscal year ended December 31, 2003, as filed with the Securities and Exchange Commission on February 13, 2004 and as amended on March 16, 2005.

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

VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

(unaudited)

NOTE 2. Restatement of Financial Statements

Visteon has restated its previously issued consolidated financial statements for 2001 through 2003 and for the first three months of 2004, primarily for accounting corrections related to postretirement health care and pension costs, tooling costs, capital equipment costs, inventory costing and income taxes.

The following table summarizes the impact of these adjustments to Visteon s previously reported net income (loss). These adjustments impacted previously reported costs of sales, selling, administrative and other expenses and income tax expense on the consolidated statement of income.

	First Quarter	
	2004	2003
	(in millions)	
Net income (loss), as originally reported	$ 30	$ (15)
Accounting corrections for postretirement health care costs and pension costs (pre-tax)[(1)]	(11)	(6)
Accounting corrections for capital equipment costs (pre-tax)[(2)]	(2)	
Tax impact of above[(3)]	3	2
Net income (loss), as restated	$ 20	$ (19)

(1) Effective in January 2002, Visteon amended its retiree health care benefits plan for certain of its U.S. employees. Effective in January 2004, a Visteon wholly owned subsidiary amended its retiree health care benefits plan for its U.S. employees. These amendments changed the eligibility requirements for participants in the plans. As a result of these amendments, Visteon changed the expense attribution periods, which eliminated cost accruals for younger employees and increased accrual rates for older participating employees. Prior to these amendments, Visteon accrued for the cost of the benefit from a participating employee s date of hire, regardless of age. Visteon determined that these benefit changes were not properly communicated to effected employees pursuant to the requirements of Statement of Financial Accounting Standards No. 106 and that such expense reductions should not have been recorded. Further, analysis of the annual United Kingdom pension valuation identified pension expenses related to special termination benefits provided under Visteon s European Plan for Growth which were not fully recognized in the period in which those benefits were accepted by employees ($3 million in the first quarter of 2004). The impact of the correction of these errors decreased net income by approximately $8 million ($0.06 per share) and increased net loss by approximately $4 million ($0.03 per share), for the first quarter ended March 31, 2004 and March 31, 2003, respectively.

(2) Represents an adjustment for volume related rebates, received from numerous capital equipment suppliers for purchases, which were originally recognized as a reduction to expense. Costs incurred for capital equipment have been adjusted to reflect such discounts as a reduction to long-term assets and to adjust related depreciation and amortization expense. The impact of the correction of these errors decreased net income approximately $2 million ($0.01 per share) for the first quarter ended March 31, 2004.

(3) Represents the deferred tax benefit of the pre-tax expense adjustments.

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VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

(unaudited)

NOTE 2. Restatement of Financial Statements (Continued)

The following is a summary of the impact of the restatement on the previously issued consolidated statement of income, consolidated balance sheets and condensed consolidated statement of cash flows included in this filing.

CONSOLIDATED STATEMENT OF INCOME

	First Quarter			
	2004		2003	
	As Originally Reported	As Restated	As Originally Reported	As Restated
	(in millions)			
Sales				
Ford and affiliates	$ 3,637	$ 3,637	$ 3,721	$ 3,721
Other customers	1,335	1,335	983	983
Total sales	4,972	4,972	4,704	4,704
Costs and expenses				
Costs of sales	4,645	4,656	4,477	4,481
Selling, administrative and other expenses	263	265	242	244
Total costs and expenses	4,908	4,921	4,719	4,725
Operating income (loss)	64	51	(15)	(21)
Interest income	4	4	4	4
Interest expense	23	23	23	23
Net interest expense	(19)	(19)	(19)	(19)
Equity in net income of affiliated companies	11	11	15	15
Income (loss) before income taxes and minority interests	56	43	(19)	(25)
Provision (benefit) for income taxes	17	14	(12)	(14)
Income (loss) before minority interests	39	29	(7)	(11)
Minority interest in net income of subsidiaries	9	9	8	8
Net income (loss)	$ 30	$ 20	$ (15)	$ (19)
Income (loss) per share				
Basic	$ 0.24	$ 0.16	$ (0.12)	$ (0.15)
Diluted	0.23	0.16	(0.12)	(0.15)

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VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

(unaudited)

NOTE 2. Restatement of Financial Statements (Continued)

CONSOLIDATED BALANCE SHEET

	March 31, 2004		December 31, 2003	
	As Originally Reported	As Restated	As Originally Reported	As Restated
	(in millions)			
Assets				
Cash and cash equivalents	$ 1,187	$ 1,187	$ 953	$ 953
Marketable securities	1	1	3	3
Total cash and marketable securities	1,188	1,188	956	956
Accounts receivable Ford and affiliates	1,499	1,476	1,198	1,175
Accounts receivable other customers	1,163	1,184	1,164	1,185
Total receivables	2,662	2,660	2,362	2,360
Inventories	828	828	761	761
Deferred income taxes	163	163	163	163
Prepaid expenses and other current assets	211	186	168	143
Total current assets	5,052	5,025	4,410	4,383
Equity in net assets of affiliated companies	225	225	215	215
Net property	5,386	5,379	5,369	5,365
Deferred income taxes	713	716	700	700
Other assets	277	277	270	270
Total Assets	$ 11,653	$ 11,622	$ 10,964	$ 10,933
Liabilities and Stockholders Equity				
Trade payables	$ 2,457	$ 2,457	$ 2,270	$ 2,270
Accrued liabilities	994	1,003	924	930
Income taxes payable	35	39	27	31
Debt payable within one year	276	276	351	351
Total current liabilities	3,762	3,775	3,572	3,582
Long-term debt	1,945	1,945	1,467	1,467
Postretirement benefits other than pensions	527	581	469	515
Postretirement benefits payable to Ford	2,079	2,079	2,090	2,090
Other liabilities	1,491	1,491	1,508	1,508
Total liabilities	9,804	9,871	9,106	9,162
Stockholders equity				
Capital stock	131	131	131	131
Capital in excess of par value of stock	3,297	3,297	3,288	3,288
Accumulated other comprehensive (loss)	(46)	(80)	(21)	(54)

Other	(34)	(34)	(19)	(19)
Accumulated deficit	(1,499)	(1,563)	(1,521)	(1,575)
Total stockholders equity	1,849	1,751	1,858	1,771
Total liabilities and stockholders equity	$ 11,653	$ 11,622	$ 10,964	$ 10,933

In addition, certain amounts in Notes 3, 4, 5, 6, 9, 13, and 14 have been restated to reflect the restatement adjustments described above.

VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

(unaudited)

NOTE 2. Restatement of Financial Statements (Continued)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	First Quarter			
	2004		2003	
	As Originally Reported	As Restated	As Originally Reported	As Restated
	(in millions)			
Cash and cash equivalents at January 1	$ 953	$ 953	$ 1,204	$ 1,204
Cash flows provided by (used in) operating activities	105	103	(135)	(135)
Cash flows used in investing activities	(195)	(193)	(153)	(153)
Cash flows provided by (used in) financing activities	328	328	(22)	(22)
Effect of exchange rate changes on cash	(4)	(4)	2	2
Net increase (decrease) in cash and cash equivalents	234	234	(308)	(308)
Cash and cash equivalents at December 31	$ 1,187	$ 1,187	$ 896	$ 896

NOTE 3. Selected Costs, Income and Other Information

Depreciation and Amortization

Depreciation and amortization expenses are summarized as follows:

	First Quarter	
	2004	2003
	(in millions)	
Depreciation	$ 140	$ 140
Amortization	26	23
Total	$ 166	$ 163

Investments in Affiliates

The following table presents summarized financial data for those affiliates accounted for under the equity method. The amounts represent 100% of the results of operations of these affiliates. Visteon reports its share of their net income in the line Equity in net income of affiliated companies on the Consolidated Statement of Income.

	First Quarter	
	2004	2003
	(in millions)	
Net sales	$ 334	$ 291
Gross profit	61	67
Net income	21	30

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VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

(unaudited)

NOTE 3. Selected Costs, Income and Other Information (Continued)

Purchase and Supply Agreement with Ford

Under the terms of the new purchase and supply agreement entered into with Ford on December 19, 2003, Visteon agreed to pay Ford $150 million in lieu of additional productivity price reductions on components supplied by Visteon in North America during 2003. This payment was accrued for in 2003 as a reduction to sales. Visteon paid $50 million in December 2003 and $100 million during the first quarter of 2004.

Accounts Receivable

The allowance for doubtful accounts was $39 million at March 31, 2004 and $35 million at December 31, 2003.

Income Taxes

Visteon s provision (benefit) for income taxes, which is computed based upon income (loss) before income taxes excluding equity in net income of affiliated companies, reflects an effective tax rate of 44% for the first quarter of 2004, compared with (35%) for the first quarter of 2003. The change in our effective tax rate is due primarily to the need to maintain full valuation allowances against deferred tax assets in certain foreign jurisdictions. We expect our full year 2004 effective tax rate to be 38%; however, the rate could vary quarter-to-quarter. Further, the rate is largely dependent on pre-tax income (loss) by country, and any changes in our forecast or actual results could have a significant impact on our effective tax rate for a given quarter or for the full year.

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VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

(unaudited)

NOTE 4. Stock-Based Awards

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

	First Quarter	
	2004	2003
	(Restated) (in millions, except per share amounts)	
Net income (loss), as reported	$ 20	$ (19)
Add: Stock-based employee compensation expense included in reported net income (loss), net of related tax effects	2	1
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(4)	(3)
Pro forma net income (loss)	$ 18	$ (21)
Income (loss) per share:		
As reported:		
Basic	$ 0.16	$ (0.15)
Diluted	0.16	(0.15)
Pro forma:		
Basic	$ 0.14	$ (0.17)
Diluted	0.14	(0.17)

NOTE 5. Special Charges

First Quarter 2004 Actions

In the first quarter of 2004, Visteon recorded pre-tax charges of $14 million in costs of sales ($10 million after-tax) which includes $9 million for the separation of about 50 hourly employees located at Visteon s plants in Europe through a continuation of a special voluntary retirement and separation program started in 2002, and $5 million related to the involuntary separation of about 220 employees as a result of the planned closure of our La Verpilliere, France, manufacturing facility by the end of 2004. The involuntary separations of the employees at the La Verpilliere facility are expected to occur at various times throughout 2004. Additional charges, if any, as a result of the finalization of employee termination benefits above those legally required, will be recorded during the remainder of 2004 based on the estimated dates of the employee separations. All of the other actions were substantially completed in the first quarter of 2004.

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VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

(unaudited)

NOTE 5. Special Charges (Continued)

During the first quarter of 2004, Visteon paid Ford about $23 million of previously accrued amounts related to an agreement entered into in 2003 to reimburse Ford for the actual net costs of transferring seating production, including costs related to Ford hourly employee voluntary retirement and separation programs that Ford is expected to implement.

First Quarter 2003 Actions

In the first quarter of 2003, Visteon recorded pre-tax charges of $31 million ($20 million after-tax), with $26 million recorded in costs of sales and $5 million in selling, administrative and other expenses. This includes $27 million related to the involuntary separation of about 135 U.S. salaried employees, the separation of about 35 hourly employees located at Visteon s plants in Europe through a continuation of a special voluntary retirement and separation program started in 2002, and the elimination of about 120 manufacturing positions in Mexico and other minor actions. Included in the $31 million pre-tax charge are $4 million of non-cash charges related to the write-down of a group of coiled spring and stamping equipment at our Monroe, Michigan, plant for which production activities were discontinued and the future undiscounted cash flows were less than the carrying value of these fixed assets held for use. Visteon measured the impairment loss by comparing the carrying value of these fixed assets to the expected proceeds from disposal of the assets after completion of remaining production commitments. The above actions were substantially completed during the first quarter of 2003.

Reserve Activity

Reserve balances of $32 million and $45 million at March 31, 2004 and December 31, 2003, respectively, are included in current accrued liabilities on the accompanying balance sheets. The March 31, 2004 reserve balance of $32 million includes $23 million related primarily to 2003 restructuring activities. Visteon currently anticipates that the restructuring activities to which all of the above charges relate will be substantially completed by the end of 2004.

	Automotive Operations	Glass Operations	Total Visteon
		(Restated) (in millions)	
December 31, 2003 reserve balance	$ 45	$	$ 45
First quarter 2004 actions:			
Included in costs of sales	14		14
Total net expense	59		59
Utilization	(27)		(27)
March 31, 2004 reserve balance	$ 32	$	$ 32

Utilization in the first quarter of 2004 of $27 million was primarily related to severance pay.

On April 14, 2004, Visteon announced its intention to move a portion of its Bedford, Indiana, plant operations to an undetermined manufacturing site. This action could affect about 600 of the plant s 1,150 hourly and salaried employees. Timing of this intended move has not been determined. Charges related to this move, if any, will be recognized as appropriate when detailed move plans are completed and the terms of any termination benefit arrangements are established.

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VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

(unaudited)

NOTE 6. Employee Retirement Benefits

Visteon s retirement plans expense for the first quarter of 2004 and 2003 are summarized as follows:

	Retirement Plans				Health Care and Life Insurance Benefits	
	U.S. Plans		Non-U.S. Plans			
	2004	2003	2004	2003	2004	2003
	(Restated) (in millions)					
First Quarter						
Service cost	$ 14	$ 13	$ 9	$ 8	$ 11	$ 9
Interest cost	17	15	17	13	16	13
Expected return on plan assets	(16)	(14)	(15)	(13)		
Amortization of:						
Plan amendments	2	2	3	2		
(Gains) losses and other	1				6	3
Special termination benefits			3	7		
Expense for Visteon-assigned Ford-UAW and certain salaried employees	31	21			37	83
Net pension/postretirement expense	$ 49	$ 37	$ 17	$ 17	$ 70	$ 108

As discussed in our 2003 Annual Report on Form 10-K, Visteon s expected contributions during 2004 to U.S. retirement plans and postretirement health care and life insurance plans are $193 million and $72 million, respectively, including payments to Ford of $115 million and $38 million, respectively. As of March 31, 2004, contributions to U.S. retirement plans and postretirement health care and life insurance plans were $23 million and $15 million, respectively, including payments to Ford of $17 million and $14 million, respectively.

The Medicare Prescription Drug Improvement and Modernization Act of 2003 (the Medicare Act) was signed into law on December 8, 2003. This legislation provides for a federal subsidy beginning in 2006 to sponsors of retiree healthcare benefit plans that provide a benefit at least actuarially equivalent to the benefit established by the law. Visteon s plans generally provide retiree drug benefits that exceed the value of the benefit that will be provided by Medicare Part D, and we have concluded that our plans are actuarially equivalent, pending further definition of the criteria used to determine equivalence. This subsidy is estimated to reduce the benefit obligation for Visteon plans by $87 million as of March 31, 2004, and will be recognized through reduced retiree healthcare expense over the related employee future service lives, subject to final accounting guidance to be issued by the Financial Accounting Standards Board.

As a result of charges during the period as well as the effect of the Medicare Act, the portion of the postretirement benefit obligation payable to Ford considered contingently payable is $1,079 million and $1,138 million at March 31, 2004 and December 31, 2003, respectively.

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VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

(unaudited)

NOTE 7. Asset Securitization

In the first quarter of 2004, Visteon established a $100 million revolving accounts receivable securitization facility in the United States (facility agreement). Under this facility agreement, Visteon can sell a portion of its U.S. trade receivables to Visteon Receivables LLC (VRL), a wholly-owned consolidated special purpose entity. VRL may then sell, on a non-recourse basis (subject to certain limited exceptions), an undivided interest in the receivables to an asset-backed, multi-seller commercial paper conduit, which is unrelated to Visteon or VRL. The conduit typically finances the purchases through the issuance of commercial paper, with back-up purchase commitments from the conduit s financial institution. The sale of the undivided interest in the receivables from VRL to the conduit will be accounted for as a sale under the provisions of Statement of Financial Accounting Standards No. 140, Accounting for the Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. When VRL sells an undivided interest to the conduit, VRL retains the remaining undivided interest. The value of the undivided interest sold to the conduit will be excluded from our consolidated balance sheet and will reduce our accounts receivable balance. This facility expires in March 2005 and can be extended annually through March 2008 based upon the mutual agreement of the parties. Additionally, this facility contains financial covenants similar to our unsecured revolving credit facilities. In April 2004, VRL made an initial sale of a $25 million undivided interest in about $300 million of total receivables.

As of March 31, 2004, Visteon has sold euro 35 million ($43 million) of trade receivables under a European sale of receivables agreement with a bank. This agreement provides for the sale of up to euro 40 million in trade receivables.

NOTE 8. Debt

	March 31, 2004	December 31, 2003
	(in millions)	
Debt payable within one year		
Commercial paper	$ 27	$ 81
Other short-term	214	234
Current portion of long-term debt	35	36
Total debt payable within one year	276	351
Long-term debt		
8.25% notes due August 1, 2010	723	716
7.95% notes due August 1, 2005	516	518
7.00% notes due March 10, 2014	452	
Other	254	233
Total long-term debt	1,945	1,467
Total debt	$ 2,221	$ 1,818

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VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

(unaudited)

NOTE 8. Debt (Continued)

On March 10, 2004, Visteon completed a public offering of unsecured fixed-rate term debt securities totaling $450 million with a maturity of ten years. The securities bear interest at a stated rate of 7.00%, with interest payable semi-annually on March 10 and September 10, beginning on September 10, 2004. The securities rank equally with Visteon s existing and future unsecured fixed-rate term debt securities and senior to any future subordinated debt. The unsecured term debt securities agreement contains certain restrictions, including, among others, a limitation relating to liens and sale-leaseback transactions, as defined in the agreement. In the opinion of management, Visteon was in compliance with all of these restrictions. In addition, an interest rate swap has been entered into for a portion of this debt ($225 million). This swap effectively converts the securities from fixed interest rate to variable interest rate instruments.

On April 6, 2004, Visteon repurchased $250 million of Visteon s existing 7.95% five-year notes maturing on August 1, 2005. In the second quarter of 2004, Visteon will record a pre-tax debt extinguishment charge of $11 million, which consists of redemption premiums and transaction costs ($19 million), offset partially by the accelerated recognition of gains from interest rate swaps associated with the repurchased debt ($8 million).

NOTE 9. Income (Loss) Per Share of Common Stock

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

	First Quarter	
	2004	**2003**
	(Restated) **(in millions, except per share amounts)**	
Numerator:		
Net income (loss)	$ 20	$ (19)
Denominator:		
Average common stock outstanding	129.9	129.9
Less: Average restricted stock outstanding	(4.6)	(3.9)
Basic shares	125.3	126.0
Net dilutive effect of restricted stock and stock options	3.2	
Diluted shares	128.5	126.0
Income (loss) per share:		
Basic	$ 0.16	$ (0.15)
Diluted	0.16	(0.15)

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VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

(unaudited)

NOTE 9. Income (Loss) Per Share of Common Stock (Continued)

For the first quarter of 2003 potential common stock of about 515,000 shares are excluded from the calculation of diluted income (loss) per share because the effect of including them would have been antidilutive.

NOTE 10. Variable Interest Entities

In December 2003, the FASB issued revised Interpretation No. 46 (FIN 46) Consolidation of Variable Interest Entities. Until this interpretation, a company generally included another entity in its consolidated financial statements only if it controlled the entity through voting interests. FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity s activities or entitled to receive a majority of the entity s residual returns. Application of FIN 46 was required during the fourth quarter of 2003 for interests in structures that are commonly referred to as special-purpose entities and for all other types of variable interest entities in the first quarter of 2004.

During the first quarter of 2004, Visteon began to consolidate Lextron/ Visteon Automotive Systems, a joint venture with Lextron Corporation located in Canton, Mississippi, which started to supply integrated cockpit modules and front-end modules to Nissan in late 2003. Visteon owns 49% of this joint venture. Consolidation of this entity was based on an assessment of the amount of equity investment at risk, the subordinated financial support provided by Visteon, and Visteon s supply of the joint venture s inventory. The effect of consolidating this entity on Visteon s results of operations or financial position as of March 31, 2004 was not significant as substantially all of the joint venture s liabilities and costs are related to activity with Visteon.

From June 30, 2002, a variable interest entity owned by an affiliate of a bank is included in Visteon s consolidated financial statements. This entity was established in early 2002 to build a leased facility for Visteon to centralize customer support functions, research and development, and administrative operations. Construction of the facility is planned to be completed in 2004 at a cost of about $250 million, with initial occupancy starting in mid-2004. The lease agreement requires Visteon to make lease payments after construction is substantially completed equal to all interest then due and payable by the variable interest entity under the related credit agreement. The lease term expires in 2017, at which time Visteon is required to either purchase the facility at a price equal to the sum of all borrowings under the related credit agreement, less certain proceeds and other amounts applied against the balance, or renew the lease upon the mutual agreement of Visteon and the lessor. As of March 31, 2004, this entity has incurred about $159 million in expenditures related to this facility.

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VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

(unaudited)

NOTE 11. Product Warranty

A reconciliation of changes in the product warranty liability is summarized as follows:

	First Quarter 2004
	(in millions)
Beginning Balance	$ 22
Accruals for products shipped	7
Accruals for pre-existing warranties (including changes in estimates)	9
Settlements	(8)
Ending Balance	$ 30

NOTE 12. Inventories

Inventories are summarized as follows:

	March 31, 2004	December 31, 2003
		(Restated)
	(in millions)	
Raw materials, work-in-process and supplies	$ 592	$ 518
Finished products	236	243
Total inventories	$ 828	$ 761
U.S. inventories	$ 472	$ 436

NOTE 13. Comprehensive Income

Comprehensive income is summarized as follows:

	First Quarter 2004	First Quarter 2003
		(Restated)
	(in millions)	
Net income (loss)	$ 20	$ (19)
Change in foreign currency translation adjustments	(28)	15

Other	2	7
Total comprehensive (loss) income	$ (6)	$ 3

Accumulated other comprehensive loss is comprised of the following:

	March 31, 2004	December 31, 2003
	(Restated) (in millions)	
Foreign currency translation adjustments	$ 69	$ 97
Realized and unrealized gains on derivatives, net of tax	9	8
Unrealized loss on marketable securities, net of tax		(1)
Minimum pension liability, net of tax	(158)	(158)
Total accumulated other comprehensive loss	$ (80)	$ (54)

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VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

(unaudited)

NOTE 14. Segment Information

Visteon s reportable operating segments are Automotive Operations and Glass Operations. Financial information for the reportable operating segments is summarized as follows:

	Automotive Operations	Glass Operations	Total Visteon
		(Restated) (in millions)	
First Quarter			
2004:			
Sales	$ 4,833	$ 139	$ 4,972
Income (loss) before taxes	34	9	43
Net income (loss)	14	6	20
Special charges before taxes	14		14
Special charges after taxes	10		10
Total assets, end of period	11,354	268	11,622
2003:			
Sales	$ 4,551	$ 153	$ 4,704
Income (loss) before taxes	(29)	4	(25)
Net income (loss)	(22)	3	(19)
Special charges before taxes	30	1	31
Special charges after taxes	19	1	20
Total assets, end of period	11,159	285	11,444

NOTE 15. Litigation and Claims

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

Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not predictable with assurance. Reserves have been established by Visteon for matters discussed in the foregoing paragraph where losses are deemed probable; these reserves are adjusted periodically to reflect estimates of ultimate probable outcomes. It is reasonably possible, however, that some of the matters discussed in the foregoing paragraph for which reserves have not been established could be decided unfavorably to Visteon and could require Visteon to pay damages or make other expenditures in amounts, or a range of amounts, that cannot be estimated at March 31, 2004. Visteon does not reasonably expect, based on its analysis, that any adverse outcome from such matters would have a material effect on our financial condition, results of operations or cash flows, although such an outcome is possible.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

Visteon Corporation

We have reviewed the accompanying consolidated balance sheet of Visteon Corporation and its subsidiaries as of March 31, 2004, and the related consolidated statement of income for each of the three-month periods ended March 31, 2004 and March 31, 2003 and the condensed consolidated statement of cash flows for the three-month periods ended March 31, 2004 and March 31, 2003. These interim financial statements are the responsibility of the Company s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2003, and the related consolidated statements of operations, stockholders equity, and of cash flows for the year then ended (not presented herein), and in our report dated January 22, 2004, except as to the effects of the matters described in Note 2, which are as of March 16, 2005, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2003, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

As discussed in Note 2 to the consolidated financial statements, the Company restated its financial statements as of March 31, 2004 and December 31, 2003 and for each of the three-month periods ended March 31, 2004 and March 31, 2003.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Detroit, Michigan
April 20, 2004, except as to the effects of the matters described in Note 2, which are as of March 16, 2005

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS RESTATEMENT

Visteon has restated its previously issued consolidated financial statements for 2001 through 2003 and for the first three months of 2004, primarily for accounting corrections related to postretirement health care and pension costs, tooling costs, capital equipment costs, inventory costing and income taxes.

As a result of the restatement, net income decreased $10 million (33.3% of the originally reported amount) for the first three months ended March 31, 2004 and net loss increased $4 million (26.7% of the originally reported amount) for the first three months ended March 31, 2003. The restatement decreased reported net income per share by $0.07 for the first three months ended March 31, 2004 and increased reported net loss per share by $0.03 for the first three months ended March 31, 2003.

Further information on the nature and impact of these adjustments is provided in Note 2, Restatement of Financial Statements to our consolidated financial statements included elsewhere in this Form 10-Q/A.

The financial data presented herein are unaudited, but in the opinion of management reflect those adjustments, including normal recurring adjustments, necessary for a fair statement of such information. Reference should be made to the consolidated financial statements and accompanying notes included in the company s Annual Report on Form 10-K for the fiscal year ended December 31, 2003, as filed with the Securities and Exchange Commission on February 13, 2004 and as amended on March 16, 2005.

Overview

Visteon s worldwide sales for the first quarter of 2004 were $5.0 billion, compared with $4.7 billion for the same period in 2003. Much of the increase in sales was a result of higher sales to non-Ford customers, which increased 36% over first quarter 2003 levels, and the favorable impact of exchange rates. Ford s first quarter 2004 combined production volumes for North America and Europe, our primary sales markets with Ford, were down slightly compared with the same period last year. As a result, our first quarter 2004 sales to Ford declined slightly compared to the same period in 2003.

Net income for the first quarter of 2004 was $20 million, or $0.16 per share, an improvement of $39 million over a net loss of $19 million, or $0.15 per share, for the first quarter of 2003. Profit improvement came from cost reductions, increased non-Ford business, and restructuring efforts. We expect recent initiatives, such as the European Plan for Growth, the exit from our unprofitable Chesterfield seating operations and the restructuring of postretirement benefit obligations to Ford, to continue to benefit us on our path to profitability.

We continue to focus on cash flow generation and maintaining a strong liquidity position. Our cash provided by operating activities was $103 million, a $238 million improvement from the first quarter of 2003, and we ended the quarter with $1.2 billion in cash and marketable securities. During the quarter, we improved our trade working capital flows, issued new public debt securities, commenced a tender offer to repurchase a portion of our outstanding debt securities that mature in 2005 and set in place a revolving accounts receivable securitization facility.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Restructuring, Dispositions and Special Charges

The table below presents special charges related to restructuring initiatives and other actions during the first quarter of 2004 and 2003:

	Automotive Operations	Glass Operations	Total Visteon
		(in millions)	
First Quarter 2004 (Restated):			
Special charges:			
European Plan for Growth	$ (9)	$	$ (9)
Other actions	(5)		(5)
Total first quarter 2004 special charges, before taxes	$ (14)	$	$ (14)
Total first quarter 2004 special charges, after taxes	$ (10)	$	$ (10)
First Quarter 2003:			
Special charges:			
North American salaried restructuring	$ (18)	$	$ (18)
Monroe Plant equipment write-down	(4)		(4)
European Plan for Growth	(3)		(3)
Other actions	(5)	(1)	(6)
Total first quarter 2003 special charges, before taxes	$ (30)	$ (1)	$ (31)
Total first quarter 2003 special charges, after taxes	$ (19)	$ (1)	$ (20)

In the first quarter of 2004, Visteon recorded pre-tax charges of $14 million in costs of sales ($10 million after-tax) which includes $9 million for the separation of about 50 hourly employees located at several Visteon plants in Europe through a continuation of a special voluntary retirement and separation program started in 2002, and an additional $5 million related to the involuntary separation of about 220 employees as a result of the planned closure of our La Verpilliere, France, manufacturing facility by the end of 2004. The involuntary separations of the employees at the La Verpilliere facility are expected to occur at various times throughout 2004. Additional charges, if any, as a result of the finalization of employee termination benefits above those legally required, will be recorded during the remainder of 2004 based on the estimated dates of the employee separations. All of the other actions were substantially completed in the first quarter of 2004.

In the first quarter of 2003, Visteon recorded pre-tax charges of $31 million ($20 million after-tax). These charges include $18 million related to the involuntary separation of about 135 U.S. salaried employees, $3 million for the separation of about 35 hourly employees located at Visteon s plants in Europe through a continuation of a special voluntary retirement and separation program started in 2002, and $6 million for the elimination of about 120 manufacturing positions in Mexico and other minor actions. Included in the $31 million pre-tax charge are $4 million of non-cash charges related to the write-down of a group of coiled spring and stamping equipment at our Monroe, Michigan, plant for which production activities were discontinued and the future undiscounted cash flows were less than the carrying value of these fixed assets held for use. Visteon measured the impairment loss by comparing the carrying value of these fixed assets to the expected proceeds from disposal of the assets after completion of remaining production commitments. The above actions were substantially completed during the first quarter of 2003.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Cash payments related to special charges, including those for severance and special pension benefits, were $67 million and $41 million during the first quarters of 2004 and 2003, respectively. The first quarter 2004 amount includes payments to Ford of about $23 million of previously accrued amounts related to an agreement entered into in 2003 to reimburse Ford for the actual net costs of transferring seating production, including costs related to Ford hourly employee voluntary retirement and separation programs that Ford is expected to implement.

We continue to evaluate the possibility of partnerships, sales or closings involving other under-performing or non-core businesses. However, there can be no assurance that a transaction or other arrangement favorable to Visteon will occur in the near term or at all. On April 14, 2004, Visteon announced its intention to move a portion of its Bedford, Indiana, plant operations to an undetermined manufacturing site. This action could affect about 600 of the plant s 1,150 hourly and salaried employees. Timing of this intended move has not been determined. Charges related to this move, if any, will be recognized as appropriate when detailed move plans are completed and the terms of any termination benefit arrangements are established.

Results of Operations

First Quarter 2004 Compared with First Quarter 2003

Sales for each of our segments for the first quarter of 2004 and 2003 are summarized in the following table:

	First Quarter		2004 over/(under)
	2004	2003	2003
		(in millions)	
Automotive Operations	$ 4,833	$ 4,551	$ 282
Glass Operations	139	153	(14)
Total sales	$ 4,972	$ 4,704	$ 268
Memo: Sales to non-Ford customers			
Amount	$ 1,335	$ 983	$ 352
Percentage of total sales	27%	21%	6 pts

Sales for Automotive Operations were $4.8 billion in 2004, compared with $4.6 billion in 2003, an increase of $282 million or 6%. This increase reflects favorable currency changes of $196 million and the impact of new business primarily with non-Ford customers offset partially by price reductions. Additionally, 2004 sales were affected by the loss of $128 million in revenue from the exit of seating operations on June 23, 2003.

Sales for Glass Operations were $139 million in 2004, compared with $153 million in 2003, a decrease of $14 million or 9%, resulting primarily from lower Ford North America production volume.

Costs of Sales for the first quarter of 2004 were $4.7 billion, up $175 million compared with the first quarter of 2003. Costs of sales includes primarily material, labor, manufacturing overhead and other costs, such as product development costs. The increase reflects currency fluctuations of $175 million, and higher variable costs associated with new business with customers, offset partially by an elimination of variable costs of $153 million resulting from the exit of our seating operations, and favorable cost performance. Special charges included in this line item were $14 million in 2004 and $26 million in 2003.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Selling, administrative and other expenses for the first quarter of 2004 were $265 million, $21 million higher compared with the first quarter of 2003. The increase reflects primarily incremental Information Technology (IT) actions of $22 million. Costs associated with such incremental IT actions are expected to continue into mid-2004. Special charges included in this line item were $5 million for 2003.

Net interest expense of $19 million in the first quarter of 2004 was even with the first quarter of 2003.

Equity in net income of affiliated companies was $11 million in the first quarter of 2004, compared with $15 million in the first quarter of 2003, with the decrease related primarily to our affiliates in Asia.

Income (loss) before income taxes, and minority interests, including and excluding special charges, is the primary profitability measure used by our chief operating decision makers. The following table shows income (loss) before income taxes for the first quarter of 2004 and 2003, for each of our segments:

	First Quarter		2004 over 2003
	2004	2003	
		(Restated) (in millions)	
Automotive Operations	$ 34	$ (29)	$ 63
Glass Operations	9	4	5
Total	$ 43	$ (25)	$ 68
Memo:			
Special charges included above	$ (14)	$ (31)	$ 17

Automotive Operations first quarter 2004 profit before income taxes was $34 million compared with a loss of $29 million for the first quarter of 2003. Special charges before taxes in 2004 were down $17 million from 2003. Additionally, 2003 results include a loss of $25 million from seating operations that were exited June 23, 2003. Results were affected also by new business and favorable cost performance, offset partially by price reductions.

Profit before income taxes for Glass Operations in first quarter of 2004 was $9 million compared with $4 million before taxes for the first quarter of 2003, reflecting favorable cost performance, offset partially by lower volume.

Provision (benefit) for income taxes represents an effective income tax rate of 44% in the first quarter of 2004 compared with (35%) in the first quarter of the prior year. The change in our effective tax rate is primarily due to the need to maintain full valuation allowances against deferred tax assets in certain foreign jurisdictions.

Minority interests in net income of subsidiaries was $9 million in the first quarter of 2004, compared with $8 million in the first quarter of 2003. Minority interest amounts are related primarily to our 70% ownership interest in Halla Climate Control Corporation located in Korea.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Net income (loss) for the first quarter of 2004 and 2003 are shown in the following table for each of our segments:

	First Quarter 2004	First Quarter 2003	2004 over 2003
		(Restated) (in millions)	
Automotive Operations	$ 14	$ (22)	$ 36
Glass Operations	6	3	3
Total	$ 20	$ (19)	$ 39
Memo:			
Special charges included above	$ (10)	$ (20)	$ 10

Visteon reported a net profit for the first quarter of 2004 of $20 million compared with a net loss of $19 million for the first quarter of 2003 because of the factors described above in income (loss) before income taxes. Special charges after taxes were $10 million and $20 million for the first quarter of 2004 and 2003, respectively.

Liquidity and Capital Resources

Overview

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

Visteon s balance sheet reflects cash and marketable securities of $1,188 million and total debt of $2,221 million at March 31, 2004, compared with cash and marketable securities of $956 million and total debt of $1,818 million at December 31, 2003. Net debt, defined as the amount by which total debt exceeds total cash and marketable securities, was $1,033 million at March 31, 2004, and $862 million at December 31, 2003. The increase in cash and marketable securities is more than explained by the March 2004 issuance of $450 million in debt securities, and the increase in net debt is primarily due to an increase in trade working capital related to higher volumes at the end of the first quarter compared with the year-end shutdown period. Visteon s ratio of total debt to total capital, which consists of total debt plus total stockholders equity, was 56% at March 31, 2004 and 51% at December 31, 2003, and increased primarily because of the recent debt issuance.

Financing Arrangements

On March 10, 2004, Visteon completed a public offering (the Notes Sale) of unsecured fixed-rate 7.00% term debt securities totaling $450 million in aggregate principal amount due in March 2014. Proceeds from the Notes Sale were used for a debt retirement and for general corporate purposes. Concurrent with the Notes Sale, Visteon announced an offer (the Tender Offer) to purchase for cash up to $250 million aggregate principal amount of our 7.95% notes due in August 2005. The Tender Offer expired on April 2, 2004 and $250 million of these notes were retired on April 6, 2004.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

In March 2004, Visteon established a $100 million revolving accounts receivable securitization facility (the facility) in the U.S. The facility allows for sale of a portion of U.S. trade receivables to a wholly-owned consolidated special purpose entity, Visteon Receivables LLC (VRL), which may then sell an undivided interest in the receivables to an asset-backed multi-seller conduit which is unrelated to Visteon or VRL. In April 2004, VRL made an initial receivables sale to the conduit of $25 million. The facility expires in March 2005 and is extendable annually through March 2008 through mutual agreement of both parties, as discussed further in Note 7 to the consolidated financial statements.

Visteon has financing arrangements with a syndicate of third-party lenders providing contractually committed, unsecured revolving credit facilities in an aggregate maximum amount of $1,580 million (the Credit Facilities). The Credit Facilities include a 364-day revolving credit line in the amount of $555 million, which expires June 2004, and a five-year revolving credit line in the amount of $775 million, which expires June 2007. Visteon is currently renegotiating the 364-day facility that expires in June. The Credit Facilities also include a five-year, delayed-draw term loan in the amount of $250 million, which will be used primarily to finance new construction for facilities consolidation in Southeast Michigan. During the first quarter of 2004, the 364-day revolving credit line agreement was amended to increase various interest rates applicable to borrowings under such facility. At March 31, 2004, there were no borrowings outstanding under the 364-day facility or the five-year facility; there were $47 million of obligations under standby letters of credit under the five-year facility, and $128 million borrowed against the delayed-draw term loan. The Credit Facilities contain certain affirmative and negative covenants, including a financial covenant not to exceed a leverage ratio of net debt to EBITDA (excluding special charges and other items) of 3.5 to 1. Increases in the ratio of net debt to EBITDA can occur during quarters following seasonal shutdown periods, when cash usage increases. In the opinion of management, Visteon has been in compliance with all covenants since the inception of the Credit Facilities. During 2004, we expect to continue to be in compliance, although there can be no assurance that this will be the case especially during quarters following seasonal shutdown periods, when our cash usage may increase significantly.

Visteon has maintained a commercial paper program utilizing the Credit Facilities as backup. As of March 31, 2004, we had $27 million outstanding under our commercial paper program compared with $81 million outstanding at December 31, 2003.

Visteon maintains a trade payables program through General Electric Capital Corporation (GECC) that provides financial flexibility to Visteon and its suppliers. The program is presently under review by both parties. When a supplier participates in the program, GECC pays the supplier the amount due from Visteon in advance of the original due date. In exchange for the earlier payment, our suppliers accept a discounted payment. Visteon pays GECC the full amount. Approximately $100 million was outstanding to GECC under this program at March 31, 2004 and December 31, 2003. As part of the same program with GECC, Visteon is allowed to defer payment to GECC for a period of up to 30 days. At March 31, 2004, Visteon had not exercised the deferral option of the program.

In addition, Visteon at times participates in a trade payables program offered by one of our customers. When we participate, our receivables are reduced and our cash balances are increased. We did not participate in the program as of March 31, 2004, although at December 31, 2003 our receivables had been reduced by $75 million due to this program.

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

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Credit Ratings

Our long-term credit rating with Standard & Poor s (S&P) is BB+; with Moody s it is Ba1, and with Fitch it is BBB-. Both S&P and Moody s rate Visteon as stable. Fitch rates our short-term credit as F3. Both S&P and Moody s have covered Visteon since June 2000, while Fitch initiated coverage on June 11, 2003. We continue to have access to sufficient liquidity, and believe we will continue to have access, to meet ongoing operating requirements although that access is less reliable and could be more costly than it was previously.

Cash Requirements

Visteon s expected cash outflows related to debt have changed since December 31, 2003 as a result of completing in March 2004 the Notes Sale and the April 2004 Tender Offer as discussed further in Note 8 to the consolidated financial statements.

As of March 31, 2004, Visteon had guaranteed about $22 million of borrowings held by unconsolidated joint ventures. In addition, we have guaranteed Tier 2 suppliers debt and lease obligations of about $16 million at March 31, 2004 to ensure the continued supply of essential parts.

Cash required to meet capital expenditure needs in the first quarter 2004 was $196 million. Capital expenditures in 2004 are expected to be higher than historic levels as described below under Cash Flows Investing Activities. Visteon s cash and liquidity needs also are impacted by the level, variability, and timing of our customers worldwide vehicle production, which varies based on economic conditions and market shares in major markets. Our intra-year needs are impacted also by seasonal effects in the industry, such as the shutdown of operations for about two weeks in July, the subsequent ramp-up of new model production and the additional one-week shutdown in December by our primary North American customers. These seasonal effects normally require use of liquidity resources during the first and third quarters.

Visteon expects improved performance for 2004 will result in cash from operating activities exceeding capital expenditure requirements, although this may not be the case during specific quarters. Based on our present assessment of future customer production levels over a two-year time horizon, we believe we can meet general and seasonal cash needs using cash flows from operations, cash balances and borrowings, if needed. Visteon also believes we can supplement these sources with access to the capital markets on satisfactory terms and in adequate amounts, if needed, although there can be no assurance that this will be the case.

Pension and Postretirement Benefits

First quarter 2004 postretirement healthcare and life insurance expense decreased by $38 million when compared with the same period in 2003, primarily as a result of Visteon s amended and restated agreements with Ford and the Medicare Act. Pension expense for first quarter of 2004 and 2003 was $66 million and $54 million, respectively, primarily reflecting lower discount rates and the effect of the 2003 Ford-UAW collective bargaining agreement.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Legislation

The Medicare Act was signed into law on December 8, 2003. This legislation provides for a federal subsidy beginning in 2006 to sponsors of retiree healthcare benefit plans that provide a benefit at least actuarially equivalent to the benefit established by the law. Visteon s plans generally provide retiree drug benefits that exceed the value of the benefit that will be provided by Medicare Part D, and we have concluded that our plans are actuarially equivalent, pending further definition of the criteria used to determine equivalence. This subsidy is estimated to reduce the benefit obligation for Visteon plans by $87 million as of March 31, 2004, and will be recognized through reduced retiree healthcare expense over the related employee future service lives, subject to final accounting guidance to be issued by the Financial Accounting Standards Board. The impact on Ford plans is included in the post retirement healthcare and life insurance expense decrease noted above.

Cash Flows

Operating Activities

Cash provided by operating activities during the first quarter of 2004 totaled $103 million, compared with cash used by operating activities of $135 million for the same period in 2003. The improvement is largely explained by improved trade working capital flows primarily due to improved collections in part reflecting improved U.S. payment terms under Visteon s recent agreement with Ford. Cash payments related to special charges, including those for severance and special pension benefits, were $67 million and $41 million during the first quarter of 2004 and 2003, respectively.

Investing Activities

Cash used in investing activities was $193 million during the first quarter of 2004, compared with $153 million for the first quarter of 2003. Visteon s capital expenditures in the first quarter of 2004 totaled $196 million, compared with $181 million for the same period in 2003. Our capital spending in 2004 is higher than historic levels as we undertake spending to fund new construction for consolidation of operations in Southeast Michigan and also to fund our IT infrastructure transition and improvements. Visteon anticipates that our facilities consolidation will allow us to centralize customer support functions, research and development, and selected business operations at lower operating costs. During the first quarter of 2004, Visteon sold $3 million of marketable securities, compared with net sales of securities of $22 million in the same period last year.

Financing Activities

Cash provided by financing activities totaled $328 million in the first quarter of 2004, compared with cash usage of $22 million in the same period in 2003. The cash proceeds in 2004 reflect primarily the issuance of debt offset partially by funds used to repay maturing short-term commercial paper obligations, dividend payments and purchases of treasury stock.

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

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Outlook

Revenue for the second quarter of 2004 is projected to be in the range of $4.7 billion to $4.8 billion, up from $4.6 billion in 2003, reflecting primarily non-Ford revenue growth. Visteon expects second quarter net income of $13 million to $25 million, or $0.10 per share to $0.20 per share.

Visteon expects full year revenue to be between $18.6 billion and $18.8 billion in 2004, nearly a $1 billion improvement from 2003. This estimate is based on full year Ford North American vehicle production of 3.7 million units, which is similar to 2003 levels. The increase is expected to come from increased non-Ford sales, which is estimated to exceed $5 billion for full year 2004. Visteon expects net income of $90 million to $140 million, or $0.70 per share to $1.10 per share. Full year 2004 projected results include anticipated pre-tax special charges of up to $50 million. Visteon expects cash from operations to be higher than capital spending for the full year.

The net income estimates above reflect an effective tax rate of 38%; however, the rate could vary quarter-to-quarter. The rate is largely dependent on our forecasted pre-tax income (loss) by country and includes the effect of deferred tax valuation allowances expected to be required by the end of the year. Changes in our forecast or actual results could have a significant impact on our effective tax rate for a given quarter or for the full year. Additionally, an adverse change in our forward-year outlook, particularly in the U.S., may change our assessment regarding the recoverability of our remaining net deferred tax asset and result in a further increase in our deferred tax valuation allowance. Such an increase would result in additional income tax expense and reduce net income in the applicable period.

Labor Matters

On April 29, 2004, Visteon announced that it had reached a tentative agreement with the United Auto Workers union (UAW) on a seven-year supplement to their existing master collective bargaining agreement providing for wage and benefit levels for future covered hires that are significantly below those currently in place for Ford-UAW workers assigned to Visteon. Specific wage rates, benefits structure and other terms are pending the final agreement between the parties.

Other Financial Information

PricewaterhouseCoopers LLP, an independent registered public accounting firm, performed a limited review of the financial data presented on page 3 through 19 inclusive. The review was performed in accordance with standards for such reviews established by the Public Company Accounting Oversight Board (United States). The review did not constitute an audit; accordingly, PricewaterhouseCoopers LLP did not express an opinion on the aforementioned data. Their review report included herein is not a report within the meaning of Sections 7 and 11 of the Securities Act of 1933 and the independent registered public accounting firm s liability under Section 11 does not extend to it.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Cautionary Statement regarding Forward-Looking Information

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as anticipate, expect, intend, plan, believe, seek, outlook and estimate as well as similar words and phrases signify forward-looking sta Visteon s forward-looking statements are not guarantees of future results and conditions and important factors, risks and uncertainties may cause our actual results to differ materially from those expressed in our forward-looking statements, including, but not limited to, the following:

Visteon s dependence on Ford.

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

Changes in vehicle production volume in markets where we operate, and in particular changes in Ford s North American vehicle production volume.

Changes in the operations (including products, product planning and part sourcing), financial condition, results of operations or market share of Visteon s customers, particularly its largest customer, Ford, which is undergoing a comprehensive revitalization plan.

Visteon s ability to increase sales to customers other than Ford and to maintain current business with, and to provide competitive quotes and win future business from, Ford.

Visteon s ability to generate cost savings to offset or exceed agreed upon price reductions or price reductions to win additional business and, in general, to maintain and improve its operating performance; to recover engineering and tooling costs; to streamline and focus its product portfolio; to sustain technological competitiveness; to compete favorably with automotive parts suppliers with lower cost structures and greater ability to rationalize operations; to achieve the benefits of its restructuring activities; and to exit non-performing businesses on satisfactory terms, particularly due to limited flexibility under existing labor agreements.

Visteon s ability to satisfy its future capital and liquidity requirements; Visteon s ability to access the credit and capital markets, which depends in large part on Visteon s credit ratings (which have declined in the past and could decline further in the future); and Visteon s ability to comply with financial covenants applicable to it.

Visteon s ability to recover its remaining net deferred tax asset through reductions in its tax liabilities in future periods.

Visteon s ability to reduce its cost structure by, among other things, negotiating a supplement to a new Visteon-UAW collective bargaining agreement that would provide for lower wages and less-expensive benefits for future Visteon hourly workers that are more in line with what competitors pay.

Restrictions in labor contracts with unions, and with the UAW in particular, that significantly restrict Visteon s ability to close plants, divest unprofitable, noncompetitive businesses, change local work rules and practices at a number of facilities and implement cost-saving measures.

Significant changes in the competitive environment in the major markets where Visteon procures materials, components or supplies or where its products are manufactured, distributed or sold.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Visteon s ability to realize sales and profits from its book of business.

Legal and administrative proceedings, investigations and claims, including product liability, warranty, environmental and safety claims, and any recalls of products manufactured or sold by Visteon.

Changes in economic conditions, currency exchange rates, changes in foreign laws, regulations or trade policies or political stability in foreign countries where Visteon procures materials, components or supplies or where its products are manufactured, distributed or sold.

Shortages of materials or interruptions in transportation systems, labor strikes, work stoppages or other interruptions to or difficulties in the employment of labor in the major markets where Visteon purchases materials, components or supplies to manufacture its products or where its products are manufactured, distributed or sold.

Changes in laws, regulations, policies or other activities of governments, agencies and similar organizations, domestic and foreign, that may tax or otherwise increase the cost of, or otherwise affect, the manufacture, licensing, distribution, sale, ownership or use of Visteon s products or assets.

Possible terrorist attacks or acts of war, which could exacerbate other risks such as slowed vehicle production, interruptions in the transportation system, or fuel prices and supply.

The cyclical and seasonal nature of the automotive industry.

Visteon s ability to comply with environmental, safety and other regulations applicable to it and any increase in the requirements, responsibilities and associated expenses and expenditures of these regulations.

Visteon s ability to protect its intellectual property rights, and to respond to changes in technology and technological risks and to claims by others that Visteon infringes their intellectual property rights.

Delays in completing Visteon s transition to an information technology environment that is separate from Ford s environment and to a new facility for the majority of its central executive, administrative and engineering functions.

Other factors, risks and uncertainties detailed from time to time in Visteon s Securities and Exchange Commission filings.

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

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

New Accounting Standards and Accounting Changes

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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Foreign Currency Risk

Visteon s 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. Visteon s on-going solution is to reduce the exposure through operating actions. We use foreign exchange forward contracts to manage a portion of our exposure.

Visteon s primary foreign exchange exposure includes the Mexican peso, euro, Canadian dollar and Czech koruna. Because of the mix between our costs and our revenues in various regions, we are exposed generally to weakening of the euro and to strengthening of the Mexican peso, Canadian dollar and Czech koruna. For transactions in these currencies, Visteon utilizes a strategy of partial coverage. As of March 31, 2004, our coverage for projected transactions in these currencies was about 60% for 2004.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Continued)

As of March 31, 2004 and December 31, 2003, the net fair value of financial instruments with exposure to currency risk was an asset of $2 million and a liability of $10 million, respectively. The hypothetical pre-tax gain or loss in fair value from a 10% favorable or adverse change in quoted currency exchange rates would be approximately $91 million and $81 million as of March 31, 2004 and December 31, 2003, respectively. These estimated changes assume a parallel shift in all currency exchange rates and include the gain or loss on financial instruments used to hedge loans to subsidiaries. Because exchange rates typically do not all move in the same direction, the estimate may overstate the impact of changing exchange rates on the net fair value of our financial derivatives. It is also important to note that gains and losses indicated in the sensitivity analysis would be offset by gains and losses on the underlying exposures being hedged.

Interest Rate Risk

As of March 31, 2004 and December 31, 2003, the net fair value of interest rate swaps was an asset of $26 million and $15 million, respectively. The potential loss in fair value of these swaps from a hypothetical 50 basis point adverse change in interest rates would be approximately $5 million and $10 million as of March 31, 2004 and December 31, 2003, respectively. Because of hedge accounting under Statement of Financial Accounting Standards No. 133 (SFAS 133), Accounting for Derivative Instruments and Hedging Activities, this reduction in value would not immediately affect Visteon s reported income.

The annual increase in pre-tax interest expense from a hypothetical 50 basis point adverse change in variable interest rates (principally LIBOR) would be approximately $6 million as of March 31, 2004 and December 31, 2003. Approximately half of the increases in expense is related to variable-rate debt and half is related to interest rate swaps.

Commodity Risk

Visteon has entered into long-term agreements with some of our key suppliers of non-ferrous metals to protect Visteon from changes in market prices. In addition, some products Visteon manufactures and sells to Ford containing non-ferrous metals are price-adjusted monthly based on metal content and market price. During the third quarter of 2003, Visteon initiated the use of financial instruments to lock in pricing of its forward year copper purchases. As of March 31, 2004 and December 31, 2003, the net fair value of copper derivatives was an asset of $5 million and $2 million, respectively. The potential loss in fair value from a 10% adverse change in quoted prices would be $3 million and $2 million at March 31, 2004 and December 31, 2003, respectively. Because of hedge accounting under SFAS 133, this reduction in value would not immediately affect Visteon s reported income.

Natural gas is a commodity Visteon uses in its manufacturing processing, related primarily to glass production, as well as for heating our facilities. Uncertainty in both supply and demand for this commodity has led to price instability over the last three years. As of March 31, 2004, Visteon has locked in pricing on about 65% of its projected usage for 2004, through financial derivatives. As of March 31, 2004 and December 31, 2003, the net fair value of natural gas derivatives was an asset of $9 million. The potential loss in fair value of these derivative contracts from a 10% adverse change in quoted prices would be approximately $5 million at March 31, 2004 and December 31, 2003, respectively. Because of hedge accounting under SFAS 133, this reduction in value would not immediately affect Visteon s reported income.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Continued)

Precious metals (for catalytic converter production) are purchased through a Ford-directed source; Ford accepts all market price risk. As a result, we presently do not enter into financial derivatives to hedge these potential exposures. Steel products are purchased for various uses but are not hedged due to the lack of such instruments in the market. Visteon s exposure to steel price changes is managed through fixed-price contracts and negotiations with our suppliers and our customers.

ITEM 4. CONTROLS AND PROCEDURES

Visteon has restated its previously issued consolidated financial statements for 2001 through 2003 and for the first nine months of 2004, primarily for accounting corrections related to postretirement health care and pension costs, tooling costs, capital equipment costs, inventory costing and income taxes. Refer to Note 2 to the consolidated financial statements for further information regarding this restatement. In connection with the restatement and the preparation and filing of this Form 10-Q/ A, Visteon re-evaluated, under the supervision and with the participation of Visteon s Disclosure Committee and management, including the Chief Executive Officer and the Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15 as of March 31, 2004, the end of the period covered by this Form 10-Q/A. Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were not effective for the reasons discussed below related to the weaknesses in our internal control over financial reporting. To address the control weaknesses described below, Visteon performed additional analysis and other post-closing procedures to ensure our consolidated financial statements are prepared in accordance with generally accepted accounting principles. Accordingly, management believes that the consolidated financial statements included in this report fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented.

During the course of the preparation of Visteon s Annual Report on Form 10-K for the fiscal year ended December 31, 2004, the company identified the following material weaknesses in the company s internal controls over financial reporting.

Accounting for Employee Postretirement Health Care Benefits

As of March 31, 2004, Visteon did not maintain effective controls over the accounting for amendments to U.S. postretirement health care benefit plans. Specifically, controls to determine that such amendments were reviewed and all necessary actions were implemented, including communications to affected employees, prior to recognizing the accounting treatment in Visteon s consolidated financial statements, were not effective. This control deficiency resulted in an adjustment to our fourth quarter 2004 financial results, and resulted in the restatement of Visteon s consolidated financial statements for 2002 and 2003 and for the first, second and third quarters of 2004.

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ITEM 4. CONTROLS AND PROCEDURES (Continued)

The requirement of Statement of Financial Accounting Standards No. 106, Employers Accounting for Postretirement Benefits Other Than Pensions (SFAS No. 106), to communicate changes in eligibility requirements to certain employees for postretirement health care benefits prior to reflecting an accounting treatment change was not satisfied. Effective in January 2002, Visteon amended its retiree health care benefits plan for certain of its U.S. employees. Effective in January 2004, a Visteon wholly owned subsidiary amended its retiree health care benefits plan for its employees. These amendments changed the eligibility requirements for participants in the plan. As a result of these amendments, which were not communicated to affected employees, Visteon changed the expense attribution periods, which eliminated cost accruals for younger employees and increased accrual rates for older participating employees.

The errors resulting from this control deficiency impacted cost of sales and selling, administrative and other expenses in Visteon s consolidated statement of operations and postretirement benefits other than pensions liability and stockholders equity in Visteon s consolidated balance sheets for the respective periods. The impact of the correction of these errors was to increase the net loss by approximately $24 million, $32 million and $12 million for the first nine months of 2004, and the years ended December 31, 2003 and 2002, respectively. These errors also impacted the disclosure of healthcare and life insurance benefit expenses and liabilities included in Visteon s consolidated financial statements for the respective periods. Additionally, this control deficiency could result in a misstatement to the aforementioned accounts that would result in a material misstatement to annual or interim financial statements.

Accounting for Costs Incurred for Tools Used in Production

As of March 31, 2004, Visteon did not maintain effective controls to ensure that there was appropriate support and documentation of either ownership or an enforceable agreement for reimbursement of expenditures at the time of the initial recording of incurred tooling costs. Further, controls over periodic review, assessment and timely resolution of tooling costs, related aged accounts receivable balances and potential overruns to customer-authorized reimbursement levels were not effective. This control deficiency resulted in the misstatement of Visteon s consolidated financial statements for each of the years 2000 through 2003 and the second and third quarters of 2004 because of costs that either should have been expensed as incurred or capitalized and amortized to expense over the terms of the related supply agreement.

The errors resulting from this control deficiency impacted cost of sales in Visteon s consolidated statement of operations and accounts receivable, net property, and stockholders equity in Visteon s consolidated balance sheets for the respective periods. The errors relating to 2001, 2002, 2003 and for the first nine months of 2004 were corrected in connection with the restatement of financial statements for the respective periods. The impact of the correction of these errors was to increase the net loss by approximately $2 million, $10 million, $3 million, and $5 million for the first nine months of 2004, and for the years ended December 31, 2003, 2002 and 2001, respectively. Additionally, this control deficiency could result in a misstatement to the aforementioned accounts that would result in a material misstatement to annual or interim financial statements.

Management has formulated remediation plans and initiated actions designed to address each of the material weaknesses in internal control over financial reporting described above.

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ITEM 4. CONTROLS AND PROCEDURES (Continued)

Visteon s remediation plans include the implementation of additional monitoring and oversight controls to ensure that all necessary actions required to implement any future changes in the accounting for the valuation of our employee postretirement health care liability accounts have been completed prior to recording such changes. These controls are expected to specifically include a focus on controls over communication and responsibility for actions requiring inter-departmental cooperation.

Further, Visteon s remediation plans include enhanced training for relevant personnel and the strengthening of existing controls regarding determinations, and supporting documentation for, the valuation and rights and obligations relating to deferred costs for tools used in production. Additionally, Visteon plans to implement additional controls over the complete and timely review of these items and the associated accounts, including monthly reviews of aging of unbilled items.

The changes to internal control over financial reporting described above are in the process of being implemented beginning in the first quarter of 2005. Except as otherwise discussed below, there have been no changes in Visteon s internal control over financial reporting during the fiscal quarter ended March 31, 2004 that has materially affected, or is reasonably likely to materially affect, Visteon s internal control over financial reporting.

In January 2003, we entered into a global IT outsourcing arrangement with IBM, which provides for, among other things, the transition of Visteon applications from Ford s IT systems, upon which we have relied since our spin-off. The second major phase of this transition was initiated in April 2004, and includes the migration of the majority of our operating systems, including new business processes and IT systems utilized to record revenue and manage the related accounts receivable associated with sales to our largest customer, Ford. The migration of all remaining applications from Ford s IT systems is expected to be substantially completed in the remainder of 2004. This transition may affect Visteon s existing business processes including Visteon s internal control over financial reporting. As this transition continues, it will be monitored and evaluated with regard to Visteon s ability to process, record, summarize and report financial information.

Certain of Visteon s applications now reside within IBM s data centers and are run by IBM. IBM has confirmed to Visteon that it has maintained the security controls as previously maintained, and Visteon has observed the physical security and environmental controls of the primary data center location. IBM contracts with an independent third party to perform reviews (SAS 70 Type II) of the control environment at its data centers, including physical security and environmental control; organization and administration; logical access controls; computer operations; and problem and change management. In 2004, IBM will contract for additional reviews of the control environment at its data centers, and we anticipate these reports will be available to Visteon, when issued, for our reliance with respect to these controls.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved in various legal proceedings, which are ordinary, routine proceedings, incidental to the conduct of our business. We do not believe that any legal proceedings to which we are a party will have a material adverse effect on our financial condition or results of operations, although such an outcome is possible.

ITEM 2. CHANGES IN SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

The following table summarizes information relating to purchases made by or on behalf of Visteon, or an affiliated purchaser, of shares of our common stock during the first quarter of 2004.

Issuer Purchases of Equity Securities

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	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
January 1, 2004 to January 31, 2004	230,000	11.3003		N/A
February 1, 2004 to February 29, 2004	670,000	10.9800		N/A
March 1, 2004 to March 31, 2004				N/A
Total	900,000	11.0618		N/A

(1) All purchases were made in the open market pursuant to a program approved by the Board of Directors on December 10, 2003, but not publicly announced, which authorized the purchase of up to 3.5 million shares of Visteon common stock during fiscal year 2004 to be used solely to satisfy obligations under the company s employee benefit programs.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Please refer to the Exhibit Index on Page 40.

(b) Reports on Form 8-K

The Registrant filed the following Current Report on Form 8-K during the quarter ended March 31, 2004:

Current Report on Form 8-K, dated January 8, 2004, in respect of Registrant s press release dated January 8, 2004 related to a presentation to financial analysts and Registrant s financial outlook.

Current Report on Form 8-K, dated January 16, 2004, in respect of Registrant s press release dated January 16, 2004 announcing that its Board of Directors had declared a cash dividend.

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K (Continued)

Current Report on Form 8-K, dated January 23, 2004, in respect of Registrant s press release dated January 23, 2004 announcing Registrant s financial results for fourth quarter and full year 2003.

Current Report on Form 8-K, dated February 27, 2004, in respect of Registrant s press release dated February 27, 2004 announcing the retirement of an executive officer of Registrant.

Current Report on Form 8-K, dated March 1, 2004, in respect of Registrant s press release dated March 1, 2004 announcing the commencement of a cash tender offer for up to $250,000,000 aggregate principal amount of Registrant s 7.95% Notes due 2005.

Current Report on Form 8-K, dated March 3, 2004, in respect of Registrant s press release dated March 3, 2004 announcing the pricing of $450 million in aggregate principal amount of Registrant s notes due 2014.

Current Report on Form 8-K, dated March 3, 2004, in respect of the completion of a public offering of $450 million in aggregate principal amount of Registrant s 7.00% Senior Notes due 2014 on March 10, 2004 and a press release dated March 15, 2004 announcing the status of current tenders in connection with Registrant s offer to purchase a certain portion of our 7.95% Notes due 2005.

Current Report on Form 8-K, dated March 31, 2004, in respect of Registrant s press release dated March 31, 2004 relating to the pricing of the tender offer for up to $250 million aggregate principal amount of Registrant s 7.95% Notes due 2005, and Registrant s press release dated April 1, 2004 relating to the appointment of an acting Chief Financial Officer.

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SIGNATURE

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

VISTEON CORPORATION

By: /s/ WILLIAM G. QUIGLEY III

William G. Quigley III
Vice President, Corporate Controller and Chief Accounting Officer

Date: March 16, 2005

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EXHIBIT INDEX

Exhibit Number	Exhibit Name
3.1	Amended and Restated Certificate of Incorporation of Visteon Corporation (Visteon) is incorporated herein by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q of Visteon dated July 24, 2000.
3.2	Amended and Restated By-laws of Visteon as in effect on the date hereof is incorporated herein by reference to Exhibit 3.2 to the Quarterly Report on Form 10-Q of Visteon dated November 14, 2001.
4.1	Amended and Restated Indenture dated as of March 10, 2004 between Visteon and J.P. Morgan Trust Company, as Trustee, is incorporated herein by reference to Exhibit 4.01 to the Current Report on Form 8-K of Visteon dated March 3, 2004 (filed as of March 19, 2004).
4.2	Supplemental Indenture dated as of March 10, 2004 between Visteon and J.P. Morgan Trust Company, as Trustee, is incorporated herein by reference to Exhibit 4.02 to the Current Report on Form 8-K of Visteon dated March 3, 2004 (filed as of March 19, 2004).
4.3	Form of Common Stock Certificate of Visteon is incorporated herein by reference to Exhibit 4.1 to Amendment No. 1 to the Registration Statement on Form 10 of Visteon dated May 19, 2000.
10.1	Master Transfer Agreement dated as of March 30, 2000 between Visteon and Ford Motor Company (Ford) is incorporated herein by reference to Exhibit 10.2 to the Registration Statement on Form S-1 of Visteon dated June 2, 2000 (File No. 333-38388).
10.2	Purchase and Supply Agreement dated as of December 19, 2003 between Visteon and Ford is incorporated herein by reference to Exhibit 10.2 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2003.
10.3	2003 Relationship Agreement dated December 19, 2003 between Visteon and Ford is incorporated herein by reference to Exhibit 10.3 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2003.
10.4	Master Separation Agreement dated as of June 1, 2000 between Visteon and Ford is incorporated herein by reference to Exhibit 10.4 to Amendment No. 1 to the Registration Statement on Form S-1 of Visteon dated June 6, 2000 (File No. 333-38388).
10.5	Aftermarket Relationship Agreement dated as of January 1, 2000 between Visteon and the Automotive Consumer Services Group of Ford is incorporated herein by reference to Exhibit 10.5 to Amendment No. 1 to the Registration Statement on Form 10 of Visteon dated May 19, 2000.
10.6	Amended and Restated Hourly Employee Assignment Agreement dated as of April 1, 2000, as amended and restated as of December 19, 2003, between Visteon and Ford is incorporated herein by reference to Exhibit 10.6 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2003.
10.7	Amended and Restated Employee Transition Agreement dated as of April 1, 2000, as amended and restated as of December 19, 2003, between Visteon and Ford is incorporated herein by reference to Exhibit 10.7 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2003.
10.8	Tax Sharing Agreement dated as of June 1, 2000 between Visteon and Ford is incorporated herein by reference to Exhibit 10.8 to the Registration Statement on Form S-1 of Visteon dated June 2, 2000 (File No. 333-38388).
10.9	Visteon Corporation 2000 Incentive Plan is incorporated herein by reference to Appendix E to the Proxy Statement of Visteon dated March 26, 2001.*

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Exhibit Number	Exhibit Name
10.10	Form of Revised Change in Control Agreement is incorporated herein by reference to Exhibit 10.10 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2000.*
10.10.1	Schedule identifying substantially identical agreements to Revised Change in Control Agreement constituting Exhibit 10.10 hereto entered into by Visteon with Messrs. Pestillo, Johnston, Coulson, Orchard, Chatterjee and Marcin, and Ms. Fox in incorporated herein by reference to Exhibit 10.10.1 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2003.*
10.11	Issuing and Paying Agency Agreement dated as of June 5, 2000 between Visteon and The Chase Manhattan Bank is incorporated herein by reference to Exhibit 10.11 to the Quarterly Report on Form 10-Q of Visteon dated July 24, 2000.
10.12	Corporate Commercial Paper Master Note dated June 1, 2000 is incorporated herein by reference to Exhibit 10.12 to the Quarterly Report on Form 10-Q of Visteon dated July 24, 2000.
10.13	Letter Loan Agreement dated as of June 12, 2000 from The Chase Manhattan Bank is incorporated herein by reference to Exhibit 10.13 to the Quarterly Report on Form 10-Q of Visteon dated July 24, 2000.
10.14	Visteon Corporation Deferred Compensation Plan for Non-Employee Directors, as amended, is incorporated herein by reference to Exhibit 10.14 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2003.*
10.15	Visteon Corporation Restricted Stock Plan for Non-Employee Directors, as amended, is incorporated herein by reference to Exhibit 10.15 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2003.*