YUM BRANDS INC
Form 8-K
May 20, 2002

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)
May 16, 2002

Commission file number 1-13163

YUM! BRANDS, INC.
(Exact name of registrant as specified in its charter)

North Carolina	13-3951308
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

1441 Gardiner Lane, Louisville, Kentucky	40213
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (502) 874-8300

Former name or former address, if changed since last report: TRICON Global Restaurants, Inc.

Item 5. OTHER EVENTS

On May 16, 2002, the Registrant issued a press release announcing that shareholders had approved the Registrant's name change from TRICON Global Restaurants, Inc. to YUM! Brands, Inc. at the annual meeting of shareholders held in Louisville, Kentucky on May 16, 2002 and that the name change would become effective at 5:00 p.m. Eastern Time on May 16, 2002.

The name change has been reflected in the Registrant's Restated Articles of Incorporation and the Registrant's Amended and Restated Bylaws, which are attached as Exhibits 3.1 and 3.2, respectively

A copy of the press release announcing the Registrant's name change is attached as Exhibit 99, which, in its entirety, is incorporated herein by reference.

Item 7. FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits

99 Press release dated May 16, 2002 from TRICON Global Restaurants, Inc.

3.1 Restated Articles of Incorporation of YUM! Brands, Inc.

3.2 Amended and Restated May 16, 2002 Bylaws of YUM! Brands, Inc.

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 hereunto duly authorized.

YUM! BRANDS, INC.
(Registrant)

Date: May 17, 2002

/s/ Matthew M. Preston
Vice President and Associate General Counsel

Contact: Amy Sherwood
502-874-8200

TRICON GLOBAL RESTAURANTS SHAREHOLDERS APPROVE COMPANY NAME CHANGE TO YUM! BRANDS, INC.

NEW NAME REFLECTS EXPANDED PORTFOLIO OF RESTAURANT BRANDS AND COMPANY'S MULTIBRANDING LEADERSHIP

LOUISVILLE, KY (May 16, 2002) - Tricon Global Restaurants, Inc. (NYSE:YUM) today announced it received shareholders' approval to change its corporate name to Yum! Brands, Inc. The Company's international business will now be called Yum! Restaurants International. The vote came at the Company's Annual Shareholders' Meeting held today in Louisville, KY. The name change is effective as of 5:00 p.m. EDT today.

"Yum! Brands better reflects our expanding portfolio of brands and the unique fun and recognition culture we are driving across our global company," said David Novak, Yum! Brands Chairman and Chief Executive Officer. "It also represents our ticker symbol on the New York Stock Exchange, and reinforces our Customer Mania passion to put a 'Yum' on our customers faces all around the world," Novak said.

Last week, the Company announced both the completion of its acquisition of Long John Silver's and A&W All-American Food Restaurants from Yorkshire Global Restaurants, and a two-for-one split of its outstanding shares of common stock with a record date of June 6, 2002.

The acquisition of Long John Silver's and A&W All-American Food Restaurants accelerates the Company's multibranding strategy of offering consumers two brands and more choice in one restaurant. Yum! Brands already is the worldwide leader in multibranding, with 1,500 such restaurants generating $1.5 billion in annual system sales from various combinations of its category-leading restaurant brands.

"Our customers love the choice and variety multibranding offers, and our returns far exceed our cost of capital, making mutibranding a win-win for our customers and shareholders alike. We view multibranding as a key enabler to accelerate the renewal of our existing asset base in the United States," said Novak.

Tricon Global Restaurants, Inc, based in Louisville, Kentucky, is the world's largest restaurant company in terms of system units with over 32,500 restaurants in more than 100 countries and territories. Four of the company's restaurant brands - KFC, Pizza Hut, Taco Bell and Long John Silver's -- are the global leaders of the chicken, pizza, Mexican-style food and quick service seafood categories, respectively. Since 1919, A&W All-American Food has been serving a signature frosty mug root beer float and all-American pure-beef hamburgers and hot dogs, making it the longest running quick service franchise chain in America.

This announcement contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include those identified by such words as may, will, expect, anticipate, believe, plan and other similar terminology. These "forward-looking" statements reflect management's current expectations regarding future events and operating and financial performance and are based on currently available data. However, actual results are subject to future events

and uncertainties, which could cause actual results to differ from those projected in this announcement. Factors that can cause actual results to differ materially include: changes in global and local business, economic and political conditions in the countries and territories where Tricon operates; changes in currency exchange and interest rates; changes in commodity, labor and other operating costs; changes in competition in the food industry, consumer preferences, spending patterns and demographic trends; the effectiveness of our operating initiatives and advertising and promotional efforts; new-product and concept development by Tricon and other food-industry competitors; the success of our refranchising strategy; the ongoing business viability of our franchise and license operators; our ability to secure alternative distribution to our restaurants at competitive rates and to ensure adequate supplies of restaurant products and equipment in our stores; our actuarially determined casualty loss estimates; changes in legislation and governmental regulation; and changes in accounting policies and practices. Further information about factors that could affect Tricon's financial and other results are included in the company's Forms 10-Q and 10-K, filed with the Securities and Exchange Commission.

Exhibit 3.1

RESTATED ARTICLES OF INCORPORATION

OF

YUM! Brands, Inc.

FIRST: The name of the corporation is YUM! Brands, Inc., hereinafter referred to as the "Corporation."

SECOND: The Corporation shall have authority to issue 1,000,000,000 shares, without par value, of which 750,000,000 shall be Common Shares, and of which 250,000,000 shares shall be Preferred Shares, with the following powers, preferences and rights, and qualifications, limitations and restrictions.

a. Except as otherwise provided by law, each Common Share shall have one vote, and, except as otherwise provided in respect of any series of Preferred Shares hereafter classified or reclassified, the exclusive voting power for all purposes shall be vested in the holders of the Common Shares. In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the Common Shares shall be entitled, after payment or provision for payment of the debts and other liabilities of the Corporation and the amount to which the holders of any series of Preferred Shares hereafter classified or reclassified having a preference on distribution in the liquidation, dissolution or winding up of the Corporation shall be entitled, to share ratably in the remaining net assets of the Corporation.

b. The Board of Directors is authorized, subject to limitations prescribed by the North Carolina Business Corporation Act ("NCBCA") and these Articles of Incorporation, to adopt and file from time to time articles of amendment that authorize the issuance of Preferred Shares which may be divided into two or more series with such preferences, limitations, and relative rights as the Board of Directors may determine; provided, however, that no holder of any Preferred Share shall be authorized or entitled to receive upon the involuntary liquidation of the Corporation an amount in excess of $100.00 per Preferred Share.

c. Series A Junior Participating Preferred Stock. A series of Preferred Shares of the Corporation is hereby created, and the designation and amount thereof and the voting powers, preferences and relative, participating,

optional and other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof are as follows:

1. Designation and Amount. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" and the number of shares constituting such series shall be 750,000.

2. Dividends and Distributions.

   A. Subject to the prior and superior rights of the holders of any Preferred Shares ranking prior and superior to the shares of Series A Junior Participating Preferred Stock with respect to dividends, the holders of shares of Series A Junior Participating Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of January, April, July and October in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Junior Participating Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $10.00 or (b) subject to the provision for adjustment hereinafter set forth, 1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in Common Shares or a subdivision of the outstanding Common Shares (by reclassification or otherwise), declared on the Common Shares of the Corporation since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Junior Participating Preferred Stock. In the event the Corporation shall at any time after July 21, 1998 (the "Rights Declaration Date") (i) declare any dividend on Common Shares payable in Common Shares,(ii) subdivide the outstanding Common Shares, or (iii) combine the outstanding Common Shares into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of Common Shares outstanding immediately after such event and the denominator of which is the number of Common Shares that were outstanding immediately prior to such event.

   B. The Corporation shall declare a dividend or distribution on the Series A Junior Participating Preferred Stock as provided in Paragraph (A) above immediately after it declares a dividend or distribution on the Common Shares (other than a dividend payable in Common Shares); provided that, in the event no dividend or distribution shall have been declared on the Common Shares during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $10.00 per share on the Series A Junior Participating Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

   C. Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Junior Participating Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Junior Participating Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend

Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Junior Participating Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

3. Voting Rights. The holders of shares of Series A Junior Participating Preferred Stock shall have the following voting rights:

   A. Subject to the provision for adjustment hereinafter set forth, each share of Series A Junior Participating Preferred Stock shall entitle the holder thereof to 1,000 votes on all matters submitted to a vote of the shareholders of the Corporation. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Shares payable in Common Shares, (ii) subdivide the outstanding Common Shares, or (iii) combine the outstanding Common Shares into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of Common Shares outstanding immediately after such event and the denominator of which is the number of Common Shares that were outstanding immediately prior to such event.

   B. Except as otherwise provided herein or by law, the holders of shares of Series A Junior Participating Preferred Stock and the holders of Common Shares shall vote together as one class on all matters submitted to a vote of shareholders of the Corporation.

   C. i. If at any time dividends on any Series A Junior Participating Preferred Stock shall be in arrears in an amount equal to six (6) quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "default period") which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series A Junior Participating Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, all holders of Preferred Shares (including holders of the Series A Junior Participating Preferred Stock) with dividends in arrears in an amount equal to six (6) quarterly dividends thereon, voting as a class, irrespective of series, shall have the right to elect two (2) directors.

      ii. During any default period, such voting right of the holders of Series A Junior Participating Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 3(C) or at any annual meeting of shareholders, and thereafter at annual meetings of shareholders, provided that neither such voting right nor the right of the holders of any other series of Preferred Shares, if any, to increase, in certain cases, the authorized number of directors shall be exercised unless the holders of ten percent (10%) in number of Preferred Shares outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Shares shall not affect the exercise by the holders of Preferred Shares of such voting right. At any meeting at which the holders of Preferred Shares

shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two (2) directors or, if such right is exercised at an annual meeting, to elect two (2) directors. If the number which may be so elected at any special meeting does not amount to the required number, the holders of the Preferred Shares shall have the right to make such increase in the number of directors as shall be necessary to permit the election by them of the required number. After the holders of the Preferred Shares shall have exercised their right to elect directors in any default period and during the continuance of such period, the number of directors shall not be increased or decreased except by vote of the holders of Preferred Shares as herein provided or pursuant to the rights of any equity securities ranking senior to or pari passu with the Series A Junior Participating Preferred Stock.

iii. Unless the holders of Preferred Shares shall, during an existing default period, have previously exercised their right to elect directors, the Board of Directors may order, or any shareholder or shareholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Shares outstanding, irrespective of series, may request, the calling of a special meeting of the holders of Preferred Shares, which meeting shall thereupon be called by the President, a Vice-President or the Secretary of the Corporation. Notice of such meeting and of any annual meeting at which holders of Preferred Shares are entitled to vote pursuant to this Paragraph (C)(iii) shall be given to each holder of record of Preferred Shares by mailing a copy of such notice to him at his last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than 20 days and not later than 60 days after such order or request or in default of the calling of such meeting within 60 days after such order or request, such meeting may be called on similar notice by any shareholder or shareholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Shares outstanding. Notwithstanding the provisions of this Paragraph (C)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the shareholders.

iv. In any default period, the holders of Common Shares, and other classes of stock of the Corporation if applicable, shall continue to be entitled to elect the whole number of directors until the holders of Preferred Shares shall have exercised their right to elect two (2) directors voting as a class, after the exercise of which right (x) the directors so elected by the holders of Preferred Shares shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in Paragraph (C)(ii) of this Section 3) be filled by vote of a majority of the remaining directors theretofore elected by the holders of the class of stock which elected the director whose office shall have become vacant. References in this Paragraph (C) to directors elected by the holders of a particular class of stock shall include directors elected by such directors to fill vacancies as provided in clause (y) of the foregoing sentence.

v. Immediately upon the expiration of a default period, (x) the right of the holders of Preferred Shares as a class to elect directors shall cease, (y) the term of any directors elected by the holders of Preferred Shares as a class shall terminate, and (z) the number of directors shall be such number as may be provided for in the Restated

Articles of Incorporation or By-laws of the Corporation (the "By-laws") irrespective of any increase made pursuant to the provisions of Paragraph (C)(ii) of this Section 3 (such number being subject, however, to change thereafter in any manner provided by law or in the Restated Articles of Incorporation or By-laws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining directors.

D. Except as set forth herein, holders of Series A Junior Participating Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Shares as set forth herein) for taking any corporate action.

4. Certain Restrictions.

A. Whenever quarterly dividends or other dividends or distributions payable on the Series A Junior Participating Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Junior Participating Preferred Stock outstanding shall have been paid in full, the Corporation shall not

i. declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock;

ii. declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, except dividends paid ratably on the Series A Junior Participating Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

iii. redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Junior Participating Preferred Stock; or

iv. purchase or otherwise acquire for consideration any shares of Series A Junior Participating Preferred Stock, or any shares of stock ranking on a parity with the Series A Junior Participating Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

B. The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under Paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

5. Reacquired Shares. Any shares of Series A Junior Participating Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued Preferred Shares and may be reissued as part of a new series of Preferred Shares to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

6. Liquidation, Dissolution or Winding Up.

   A. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Series A Junior Participating Preferred Stock shall have received an amount equal to $1,000 per share of Series A Participating Preferred Stock, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series A Liquidation Preference"). Following the payment of the full amount of the Series A Liquidation Preference, no additional distributions shall be made to the holders of shares of Series A Junior Participating Preferred Stock unless, prior thereto, the holders of Common Shares shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series A Liquidation Preference by (ii) 1,000 (as appropriately adjusted as set forth in subparagraph (C) below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Shares) (such number in clause (ii), the "Adjustment Number"). Following the payment of the full amount of the Series A Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series A Junior Participating Preferred Stock and Common Shares, respectively, holders of Series A Junior Participating Preferred Stock and holders of Common Shares shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to 1 with respect to such Preferred Shares and Common Shares, on a per share basis, respectively.

   B. In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other series of Preferred Shares, if any, which rank on a parity with the Series A Junior Participating Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Shares.

   C. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Shares payable in Common Shares, (ii) subdivide the outstanding Common Shares, or (iii) combine the outstanding Common Shares into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of Common Shares outstanding immediately after such event and the denominator of which is the number of Common Shares that were outstanding immediately prior to such event.

D. Notwithstanding the other provisions of this Section 6, no holder of shares of Series A Junior Participating Preferred Stock shall be authorized or entitled to receive upon the involuntary liquidation of the Corporation an amount in excess of $100.00 per share.

7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the Common Shares are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series A Junior Participating Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 1,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each Common Share is changed or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Share payable in Common Shares, (ii) subdivide the outstanding Common Shares, or (iii) combine the outstanding Common Shares into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Junior Participating Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of Common Shares outstanding immediately after such event and the denominator of which is the number of Common Shares that were outstanding immediately prior to such event.

8. No Redemption. The shares of Series A Junior Participating Preferred Stock shall not be redeemable.

9. Ranking. The Series A Junior Participating Preferred Stock shall rank junior to all other series of the Corporation's Preferred Shares, if any, as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

10. Amendment. At any time when any shares of Series A Junior Participating Preferred Stock are outstanding, the Restated Articles of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Junior Participating Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Series A Junior Participating Preferred Stock, voting separately as a class.

11. Fractional Shares. Series A Junior Participating Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Junior Participating Preferred Stock.

THIRD: The address of the registered office of the Corporation in the State of North Carolina is 225 Hillsborough Street, Raleigh, Wake County, North Carolina 27603; and the name of its initial registered agent at such address is CT Corporation System.

FOURTH: No holder of any share of the Corporation, whether now or hereinafter authorized, shall have any preemptive right to subscribe for or to purchase any shares or other securities of the Corporation, nor have any right to cumulate his votes for the election of Directors. At all meetings of the Shareholders of the Corporation, a quorum being present, all matters (other than the election of Directors) shall be decided by the vote of the holders of a majority of the stock of the Corporation, present in person or by proxy, and entitled to vote thereat.

FIFTH: The following provisions are intended for the management of the business and for the regulation of the affairs of the Corporation, and it is expressly provided that the same are intended to be in furtherance and not in

limitation of the powers conferred by statute:

a. The Board of Directors shall have the exclusive power and authority to direct management of the business and affairs of the Corporation and shall exercise all corporate powers, and possess all authority, necessary or appropriate to carry out the intent of this provision, and which are customarily exercised by the board of directors of a public company. In furtherance of the foregoing, but without limitation, the Board of Directors shall have the exclusive power and authority to: (a) elect all executive officers of the Corporation as the Board may deem necessary or desirable from time to time, to serve at the pleasure of the Board; (b) fix the compensation of such officers; (c) fix the compensation of Directors; and (d) determine the time and place of all meetings of the Board of Directors and Shareholders of the Corporation. A scheduled meeting of Shareholders may be postponed by the Board of Directors by public notice given at or prior to the time of the meeting.

b. The number of Directors constituting the Board of Directors shall not be less than three nor more than fifteen, as may be fixed from time to time by resolution duly adopted by the Board of Directors. Provided that the number of members of the Board of Directors equals or exceeds the number required under the NCBCA to stagger the terms of Directors, from and after the first annual Shareholders' meeting, the Board of Directors shall be divided into three classes, as nearly equal in number as may be possible, to serve respectively until the annual meetings in 1998, 1999 and 2000 in the classes designated by the shareholder of the Corporation at the 1997 Annual Meeting, and until their successors shall be elected and shall qualify, and thereafter the successors shall be elected to serve for terms of three years and until their successors shall be elected and shall qualify. In the event of any increase or decrease in the number of Directors, the additional or eliminated directorships shall be so classified or chosen such that all classes of Directors shall remain or become equal in number, as nearly as may be possible.

c. A vacancy occurring on the Board of Directors, including, without limitation, a vacancy resulting from an increase in the number of Directors or from the failure by Shareholders of the Corporation to elect the full authorized number of Directors, may only be filled by a majority of the remaining Directors or by the sole remaining Director in office. In the event of the death, resignation, retirement, removal or disqualification of a Director during his elected term of office, his successor shall serve until the next Shareholders' meeting at which Directors are elected. Directors may be removed from office only for cause.

d. The Board of Directors may adopt, amend or repeal the Corporation's Bylaws, in whole or in part, including amendment or repeal of any Bylaw adopted by the Shareholders of the Corporation.

e. The Corporation may in its Bylaws confer upon Directors powers additional to the foregoing and the powers and authorities conferred upon them by statute.

f. The Corporation reserves the right to amend, alter, change, or repeal any provision herein contained, in the manner now or hereafter prescribed by law, and all the rights conferred upon Shareholders hereunder are granted, and are to be held and enjoyed, subject to such rights of amendment, alteration, change or repeal.

g. The only qualifications for Directors of the Corporation shall be those set forth in these Articles of Incorporation. Directors need not be residents of the State of North Carolina or Shareholders of the Corporation.

h. The Board of Directors may create and make appointments to one or more committees of the Board comprised exclusively of Directors who will serve at the pleasure of the Board and who may have and exercise such powers of the Board in directing the management of the business and affairs of the Corporation as the Board may delegate, in its sole discretion, consistent with the provisions of the NCBCA and these Articles of Incorporation. The Board of Directors may not delegate its authority over the expenditure of funds

of the Corporation except to a committee of the Board and except to one or more officers of the Corporation elected by the Board. No committee comprised of persons other than members of the Board of Directors shall possess or exercise any authority in the management of the business and affairs of the Corporation.

SIXTH:

a. The Corporation shall, to the fullest extent from time to time permitted by law, indemnify its Directors and officers against all liabilities and expenses in any suit or proceedings, whether civil, criminal, administrative or investigative, and whether or not brought by or on behalf of the Corporation, including all appeals therefrom, arising out of their status as such or their activities in any of the foregoing capacities, unless the activities of the person to be indemnified were at the time taken known or believed by such Director or officer to be clearly in conflict with the best interests of the Corporation. The Corporation shall likewise and to the same extent indemnify any person who, at the request of the Corporation, is or was serving as a Director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise, or as a trustee or administrator under any employee benefit plan.

b. The right to be indemnified hereunder shall include, without limitation, the right of a Director or officer to be paid expenses in advance of the final disposition of any proceedings upon receipt of an undertaking to repay such amount unless it shall ultimately be determined that he or she is entitled to be indemnified hereunder.

c. A person entitled to indemnification hereunder shall also be paid reasonable costs, expenses and attorneys' fees (including expenses) in connection with the enforcement of rights to the indemnification granted hereunder.

d. The foregoing rights of indemnification shall not be exclusive of any other rights to which those seeking indemnification may be entitled and shall not be limited by the provisions of Section 55-8-51 of the NCBCA or any successor statute.

e. The Board of Directors may take such action as it deems necessary or desirable to carry out these indemnification provisions, including adopting procedures for determining and enforcing the rights guaranteed hereunder, and the Board of Directors is expressly empowered to adopt, approve and amend from time to time such Bylaws, resolutions or contracts implementing such provisions or such further indemnification arrangement as may be permitted by law.

f. Neither the amendment or repeal of this Article, nor the adoption of any provision of these Articles of these Articles of Incorporation inconsistent with this Article, shall eliminate or reduce any right to indemnification afforded by this Article to any person with respect to their status or any activities in their official capacities prior to such amendment, repeal or adoption.

SEVENTH: To the full extent from time to time permitted by law, no person who is serving or who has served as a Director of the Corporation shall be personally liable in any action for monetary damages for breach of any duty as a Director, whether such action is brought by or in the right of the Corporation or otherwise. Neither the amendment or repeal of this Article, nor the adoption of any provision of these Articles of Incorporation inconsistent with this Article, shall eliminate or reduce the protection afforded by this Article to a Director of the Corporation with respect to any matter which occurred, or in any cause of action, suit or claim which but for this Article would have accrued or arisen, prior to such amendment, repeal or adoption.

EIGHTH: The provisions of Article 9A of the NCBCA shall not be applicable to the Corporation.

NINTH: Except as may be otherwise determined by the Board of Directors, the Shareholders of the Corporation shall have access as a matter of right only to the books and records of the Corporation as may be required to be made available to qualified shareholders by the NCBCA.

TENTH: To the extent that there ever may be inconsistency between these Articles of Incorporation and the Bylaws of the Corporation as may be adopted or amended from time to time, the Articles of Incorporation shall always control.

Exhibit 3.2

Amended and Restated May 16, 2002

BYLAWS

OF

YUM! BRANDS, INC.

ARTICLE 1 - OFFICES

Section 1. Offices. The principal office of YUM! Brands, Inc. (the "Corporation") in the State of North Carolina shall be in the City of Raleigh. The Corporation may have offices at such other places, either within or without the State of North Carolina, as the Board of Directors may from time to time determine.

ARTICLE 2 - MEETINGS OF SHAREHOLDERS

Section 1. Place of Meeting. Meetings of Shareholders shall be held at such places, either within or without the State of North Carolina, as shall be designated in the notice of the meeting.

Section 2. Annual Meeting. The annual meeting of Shareholders shall be held on such date and at such time as the Board of Directors shall determine each year in advance thereof, for the purpose of electing Directors of the Corporation and the transaction of such business as may be a proper subject for action at the meeting.

Section 3. Special Meetings. Special Meetings of Shareholders shall be held at such places and times as determined by the Board of Directors in their discretion as provided in the Articles of Incorporation.

Section 4. Notice of Meetings. At least 10 and no more than 60 days prior to any annual or special meeting of Shareholders, the Corporation shall notify Shareholders of the date, time and place of the meeting and, in the case of a special meeting or where otherwise required by the Articles of Incorporation or by statute, shall briefly describe the purpose or purposes of the meeting. Only business within the purpose or purposes described in the notice may be

conducted at a special meeting. Unless otherwise required by the Articles of Incorporation or by statute, the Corporation shall be required to give notice only to Shareholders entitled to vote at the meeting. If an annual or special Shareholders' meeting is adjourned to a different date, time or place, notice thereof need not be given if the new date, time or place is announced at the meeting before adjournment. If a new record date for the adjourned meeting is fixed pursuant to Article 7, Section 5 hereof, notice of the adjourned meeting shall be given to persons who are Shareholders as of the new record date. If mailed, notice shall be deemed to be effective when deposited in the United States mail with postage thereon prepaid, correctly addressed to the Shareholders' address shown in the Corporation's current record of Shareholders.

Section 5. Quorum, Presiding Officer. Except as otherwise prescribed by statute, the Articles of Incorporation or these Bylaws, at any meeting of the Shareholders of the Corporation, the presence in person or by proxy of the holders of record of a majority of the issued and outstanding shares of capital stock of the Corporation entitled to vote thereat shall constitute a quorum for the transaction of business. In the absence of a quorum at such meeting or any adjournment or adjournments thereof, the holders of record of a majority of such shares so present in person or by proxy and entitled to vote thereat may adjourn the meeting from time to time until a quorum shall be present. At any such adjourned meeting at which a quorum is present, any business may be transaction which might have been transacted at the meeting as originally called. Meetings of Shareholders shall be presided over by the Chairman or Vice Chairman of the Board, or, if neither is present, by another officer or Director who shall be designated to serve in such event by the Board. The Secretary of the Corporation, or an Assistant Secretary designated by the officer presiding at the meeting, shall act as Secretary of the meeting.

Section 6. Voting. Except as otherwise prescribed by statute, the Articles of Incorporation or these Bylaws, at any meeting of the Shareholders of the Corporation, each Shareholder shall be entitled to one vote in person or by proxy for each share of voting capital stock of the Corporation registered in the name of such Shareholder on the books of the Corporation on the date fixed pursuant to these Bylaws as the record date for the determination of Shareholders entitled to vote at such meeting. No proxy shall be voted after eleven (11) months from its date unless said proxy provides for a longer period. Shares of its voting capital stock belonging to the Corporation shall not be voted either directly or indirectly. The vote for the election of Directors, other matters expressly prescribed by statute, and, upon the direction of the presiding officer of the meeting, the vote on any other question before the meeting, shall be by ballot.

Section 7. Notice of Shareholder Proposal. No business may be transacted at an annual meeting of Shareholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (c) otherwise properly brought before the annual meeting by any Shareholder of the Corporation (i) who is a Shareholder of record on the date of the giving of the notice provided for in this Section 7 and on the record date for the determination of Shareholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section 7.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a Shareholder, such Shareholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a Shareholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting of Shareholders; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the Shareholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs.

To be in proper written form, a Shareholder's notice to the Secretary must set forth as to each matter such Shareholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of such Shareholder, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such Shareholder, (iv) a description of all arrangements or understandings between such Shareholder and any other person or persons (including their names) in connection with the proposal of such business by such Shareholder and any material interest of such Shareholder in such business and (v) a representation that such Shareholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

No business shall be conducted at the annual meeting of Shareholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 7; provided, however, that, once business has been properly brought before the annual meeting in accordance with such procedures, nothing in this Section 7 shall be deemed to preclude discussion by any Shareholder of any such business. If the Chairman of an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

Section 8. Postponement of Shareholders Meeting. A scheduled annual or special meeting of Shareholders may be postponed by the Board of Directors by public notice given at or prior to the time of the meeting.

Section 9. Shareholder Nominations of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the Board of Directors may be made at any annual meeting of Shareholders, or at any special meeting of Shareholders called for the purpose of electing directors, (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (b) by any Shareholder of the Corporation (i) who is a Shareholder of record on the date of the giving of the notice provided for in this Section 9 and on the record date for the determination of Shareholders entitled to vote at such meeting and (ii) who complies with the notice procedures set forth in this Section 9.

In addition to any other applicable requirements, for a nomination to be made by a Shareholder, such Shareholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a Shareholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation (a) in the case of an annual meeting, not less than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting of Shareholders; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the Shareholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs; and (b) in the case of a special meeting of Shareholders called for the purpose of electing directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever first occurs.

To be in proper written form, a Shareholder's notice to the Secretary must set forth (a) as to each person whom the Shareholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder; and (b) as to the

Shareholder giving the notice (i) the name and record address of such Shareholder, (ii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such Shareholder, (iii) a description of all arrangements or understandings between such Shareholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such Shareholder, (iv) a representation that such Shareholder intends to appear in person or by proxy at the annual meeting to nominate the persons named in its notice and (v) any other information relating to such Shareholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 9. If the Chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

ARTICLE 3 - BOARD OF DIRECTORS

Section 1. General Powers. Except as otherwise expressly provided in the Articles of Incorporation or by statute, the Board of Directors shall have the exclusive power and authority to direct management of the business and affairs of the Corporation and shall exercise all corporate powers, and possess all authority, necessary or appropriate to carry out the intent of this provision, and which are customarily exercised by the board of directors of a public company.

Section 2. Number, Term and Qualification. The number, term and qualification of Directors of the Corporation shall be as provided in the Articles of Incorporation.

Section 3. Removal. Directors may be removed from office only for the reasons, if any, specified in the Articles of Incorporation.

Section 4. Vacancies. Vacancies occurring in the Board of Directors shall be filled only as provided in the Articles of Incorporation.

Section 5. Compensation. Compensation for the services of Directors as such shall be determined exclusively by the Board of Directors as provided in the Articles of Incorporation.

ARTICLE 4 - MEETINGS OF DIRECTORS

Section 1. Annual and Regular Meetings. All annual and regular meetings of the Board of Directors shall be held at such places and times as determined by the Board of Directors in their discretion as provided in the Articles of Incorporation.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held at such places and times as determined by the Board of Directors in their discretion as provided in the Articles of Incorporation.

Section 3. Notice of Meetings. Unless the Board of Directors by resolution determines otherwise in accordance with authority set forth in the Articles of Incorporation, all meetings of the Board of Directors may be held without notice of the date, time, place or purpose of the meeting. The Secretary shall give such notice of any meetings called by the Board by such means of communication as may be specified by the Board.

Section 4. Quorum. A majority of the Directors in office shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

Section 5. Manner of Acting. A majority of Directors who are present at a meeting at which a quorum is present will constitute the required vote to effect any action taken by the Board of Directors.

Section 6. Action Without Meeting. Action required or permitted to be taken at a meeting of the Board of Directors may be taken without a meeting if the action is taken by all members of the Board. The action must be evidenced by one or more written consents signed by each Director before or after such action, describing the action taken, and included in the minutes or filed with the corporate records. Action taken without a meeting is effective when the last Director signs the consent, unless the consent specifies a different effective date.

Section 7. Meeting by Communications Device. The Board of Directors may permit Directors to participate in any meeting of the Board of Directors by, or conduct the meeting through the use of, any means of communication by which all Directors participating may simultaneously hear each other during the meeting. A Director participating in a meeting by this means is deemed to be present in person at the meeting.

ARTICLE 5 - COMMITTEES

Section 1. Election and Powers. The Board of Directors may appoint such committees with such members who shall have such powers and authority as may be determined by the Board as provided in the Articles of Incorporation. To the extent specified by the Board of Directors or in the Articles of Incorporation, each committee shall have and may exercise the powers of the Board in the management of the business and affairs of the Corporation, except that no committee shall have authority to do the following:

a. Authorize distributions.

b. Approve or propose to Shareholders action required to be approved by Shareholders.

c. Fill vacancies on the Board of Directors or on any of its committees.

d. Amend the Articles of Incorporation.

e. Adopt, amend or repeal the Bylaws.

f. Approve a plan of merger not requiring Shareholder approval.

g. Authorize or approve the reacquisition of shares, except according to a formula or method prescribed by the Board of Directors.

h. Authorize or approve the issuance, sale or contract for sale of shares, or determine the designation and relative rights, preferences and limitations of a class or series of shares, except that the Board of Directors may authorize a committee (or a senior executive officer of the Corporation) to do so within limits specifically prescribed by the Board of Directors.

Section 2. Removal; Vacancies. Unless the Board of Directors by resolution determines otherwise in accordance with authority specified in the Articles of Incorporation, any member of a committee may be removed at any time exclusively by the Board of Directors with or without cause, and vacancies in the membership of a committee as a result of death, resignation, disqualification or removal shall be filled by a majority of the whole Board of Directors. The Board may discharge any committee, either with or without cause, at any time.

Section 3. Meetings. The provisions of Article 4 governing meetings of the Board of Directors, action without meeting, notice, waiver of notice and quorum and voting requirements shall apply to the committees of the Board and its members to the extent not otherwise prescribed by the Board in the resolution authorizing the establishment of the committee.

Section 4. Minutes. Each committee shall keep minutes of its proceedings and shall report thereon to the Board of Directors at or before the next meeting of the Board.

ARTICLE 6 - OFFICERS

Section 1. Titles. Pursuant to authority conferred in the Articles of Incorporation, the Board of Directors shall have the exclusive power and authority to elect from time to time such officers of the Corporation, including a Chairman and a President (one of whom shall be the Chief Executive Officer), a Vice Chairman, one or more Executive Vice Presidents, one or more Senior Vice Presidents, one or more Vice Presidents, a Chief Financial Officer, a General Counsel, a Controller, a Treasurer, a Secretary, one or more Assistant Controllers, one or more Assistant Treasurers, and one or more Assistant Secretaries, and such other officers as shall be deemed necessary or desirable from time to time. The officers shall have the authority and perform the duties set forth herein or as from time to time may be prescribed by the Board of Directors. Any two or more offices may be held by the same individual, but no officer may act in more than one capacity where action of two or more officers is required.

The officers of the Corporation may appoint one or more individuals to hold a title which includes Assistant or Deputy together with one of the officer titles indicated above. An individual holding such title by virtue of being so appointed rather than by virtue of being elected to such position by the Board of Directors shall not be an officer of the Corporation for purposes of the Articles of Incorporation or these Bylaws.

Section 2. Election; Removal. Pursuant to authority conferred in the Articles of Incorporation, the officers of the Corporation shall be elected exclusively by the Board of Directors and shall serve at the pleasure of the Board as specified at the time of their election, until their successors are elected and qualify, or until the earlier of their resignation or removal. Pursuant to authority conferred in the Articles of Incorporation, any officer may be removed by the Board at any time with or without cause.

Section 3. Compensation. Pursuant to authority conferred in the Articles of Incorporation, the compensation of the officers shall be fixed by the Board of Directors.

Section 4. General Powers of Officers. Except as may be otherwise provided in these Bylaws or in the North Carolina Business Corporation Act, the Chairman, the Vice Chairman, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Chief Financial Officer, the General Counsel, the Controller, the Treasurer, the Secretary, or any one of them, may (i) execute and deliver in the name of the Corporation, in the name of any division of the Corporation, or in both names, any agreement, contract, deed, instrument, power of attorney or other document pertaining to the business or affairs of the Corporation or any division of the Corporation, and (ii) delegate to any employee or agent the power to execute and deliver any such agreement, contract, deed, instrument, power of attorney or other document.

Section 5. Chief Executive Officer. The Chief Executive Officer of the Corporation shall report directly to the Board. Except in such instances as the Board may confer powers in particular transactions upon any other officer, and subject to the control and direction of the Board, the Chief Executive Officer shall manage the business and affairs of the Corporation and shall communicate to the Board and any committee thereof reports, proposals and recommendations for their respective consideration or action. He may do and perform all acts on behalf of the Corporation.

Section 6. Chairman. The Chairman shall preside at meetings of the Board of Directors and the Shareholders and shall have such other powers and perform such other duties as the Board may prescribe or as may be prescribed in these Bylaws.

Section 7. Vice Chairman. The Vice Chairman shall have such powers and perform such duties as the Board or the Chairman (to the extent he is authorized by the Board of Directors to prescribe the authority and duties of other officers) may from time to time prescribe or as may be prescribed by these Bylaws.

Section 8. President. The President shall have such powers and perform such duties as the Board and the Chief Executive Officer (to the extent he is authorized by the Board of Directors to prescribe the authority and duties of other officers) may from time to time prescribe or as may be prescribed by these Bylaws.

Section 9. Executive Vice Presidents, Senior Vice Presidents and Vice Presidents. The Executive Vice Presidents, Senior Vice Presidents and Vice Presidents shall have such powers and perform such duties as the Board or the Chief Executive Officer (to the extent he is authorized by the Board of Directors to prescribe the authority and duties of other officers) may from time to time prescribe or as may be prescribed by these Bylaws.

Section 10. Chief Financial Officer. The Chief Financial Officer shall have powers and perform such duties as the Board or the Chief Executive Officer (to the extent he is authorized by the Board of Directors to prescribe the authority and duties of other officers) may from time to time prescribe or as may be prescribed in these Bylaws. The Chief Financial Officer shall present to the Board such balance sheets, income statements, budgets and other financial statements and reports as the Board or the Chief Executive Officer (to the extent he is authorized by the Board of Directors to prescribe the authority and duties of other officers) may require and shall perform such other duties as may be prescribed or assigned pursuant to these Bylaws and all other acts incident to the position of Chief Financial Officer.

Section 11. Controller. The Controller shall be responsible for the maintenance of adequate accounting records of all assets, liabilities, capital and transactions of the Corporation. The Controller shall prepare such balance sheets, income statements, budgets and other financial statements and reports as the Board or the Chief Executive Officer or the Chief Financial Officer (to the extent they are authorized by the Board of Directors to prescribe the authority and duties of other officers) may require, and shall perform such other duties as may be prescribed or assigned pursuant to these Bylaws and all other acts incident to the position of Controller.

Section 12. Treasurer.

a. The Treasurer shall have the care and custody of all funds and securities of the Corporation except as may be otherwise ordered by the Board, and shall cause such funds (i) to be invested or reinvested from time to time for the benefit of the Corporation as may be designated by the Board or by the Chairman, the Vice Chairman, the President, the Chief Financial Officer or the Treasurer (to the extent they are authorized by the Board of Directors to make such designations), or (ii) to be deposited to the credit of the Corporation in such banks or depositories as may be designated by the Board or by the Chairman, the President, the Chief Financial Officer or the Treasurer (to the extent they are authorized by the Board of Directors to make such designations), and shall cause such securities to be placed in safekeeping in such manner as may be designated by the Board or by the Chairman, the President, the Chief Financial Officer or the Treasurer (to the extent they are authorized by the Board of Directors to make such designations).

b. The Treasurer or such other person or persons as may be designated for such purpose by the Board or by the Chairman, the President, the Chief Financial Officer or the Treasurer (to the extent they are authorized by the Board of Directors to make such designations) may endorse in the name and on behalf of the Corporation all instruments for the payment of money, bills of lading, warehouse receipts, insurance policies and other commercial documents requiring such endorsement.

c. The Treasurer or such other person or persons as may be designated for such purpose by the Board or by the Chairman, the President, the Chief Financial Officer or the Treasurer (to the extent they are authorized by the Board of Directors to make such designations), (i) may sign all receipts and vouchers for payments made to the Corporation; (ii) shall provide a statement of the cash account of the Corporation to the Board as often as it shall require the same; and (iii) shall enter regularly in the books to be kept for that purpose full and accurate account of all moneys received and paid on account of the Corporation and of all securities received and delivered by the Corporation.

d. The Treasurer shall perform such other duties as may be prescribed or assigned pursuant to these Bylaws and all other acts incident to the position of Treasurer.

Section 13. Secretary. The Secretary shall keep the minutes of all meetings of the Shareholders, the Board and the Committees of the Board. The Secretary shall attend to the giving and serving of all notices of the Corporation, in accordance with the provisions of these Bylaws and as required by the laws of the State of North Carolina. The Secretary shall cause to be prepared and maintained (i) at the office of the Corporation a stock ledger containing the names and addresses of all Shareholders and the number of shares held by each, and (ii) any list of Shareholders required by law to be prepared for any meeting of Shareholders. The Secretary shall be responsible for the custody of all stock books and of all unissued stock certificates. The Secretary shall be the custodian of the seal of the Corporation. The Secretary shall affix or cause to be affixed the seal of the Corporation, and when so affixed may attest the same and shall perform such other duties as may be prescribed or assigned pursuant to these Bylaws and all other acts incident to the position of Secretary.

Section 14. Voting upon Securities. Unless otherwise ordered by the Board of Directors, the Chairman, the President, any Executive Vice President, any Senior Vice President or any Vice President shall have full power and authority on behalf of the Corporation to attend, act and vote at meetings of the security holders of any entity in which this Corporation may hold securities, and at such meetings shall possess and may exercise any and all rights and powers incident to the ownership of such securities and which, as the owner, the Corporation might have possessed and exercised if present. The Board of Directors may by resolution from time to time confer such power and authority upon any person or persons.

Section 15. Continuing Determination by Board. All powers and duties of the officers shall be subject to a continuing determination by the Board of Directors.

ARTICLE 7 - CAPITAL STOCK

Section 1. Certificates. Unless the Board determines otherwise, shares of the capital stock of the Corporation shall be represented by certificates. The name and address of the persons to whom shares of capital stock of the Corporation are issued, with the number of shares and date of issue, shall be entered on the stock transfer records of the Corporation. Certificates for shares of the capital stock of the Corporation shall be in such form not inconsistent with the Articles of Incorporation of the Corporation as shall be approved by the Board of Directors. Each certificate shall be signed (either manually or by facsimile) by (a) the Chairman, the President or any Vice President, and by the Secretary, any Assistant Secretary, the Treasurer or any Assistant Treasurer or (b) any two officers designated by the Board of Directors. Each certificate may be sealed with the seal of the Corporation or facsimile thereof.

Section 2. Transfer of Shares. Transfers of shares shall be made on the stock transfer records of the Corporation, and transfers shall be made only upon surrender of the certificate for the shares sought to be transferred by the holder of record or by a duly authorized agent, transferee or legal representative. All certificates surrendered for transfer or reissue shall be cancelled before new certificates for the shares shall be issued.

Section 3. Transfer Agent and Registrar. The Board of Directors may appoint one or more transfer agents and one or more registrars of transfers and may require all stock certificates to be signed or countersigned by the transfer agent and registered by the registrar.

Section 4. Regulations. The Board of Directors may make such rules and regulations as it deems expedient concerning the issue, transfer and registration of shares of capital stock of the Corporation.

Section 5. Fixing Record Date. For the purpose of determining Shareholders entitled to notice of or to vote at any meeting of Shareholders, or entitled to receive payment of any dividend, or in order to make a determination of Shareholders for any other purpose, the Board of Directors may fix in advance a date as the record date for the determination of Shareholders. The record date shall not be more than 60 days before the meeting or action requiring a determination of Shareholders. A determination of Shareholders entitled to notice of or to vote at a Shareholders' meeting shall be effective for any adjournment of the meeting unless the Board of Directors fixes a new record date, which it shall do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting. If no record date is fixed for the determination of Shareholders, the record date shall be the day the notice of the meeting is mailed or the day the action requiring a determination of Shareholders is taken.

Section 6. Lost Certificates. In case of loss, theft, mutilation or destruction of any certificate evidencing shares of the capital stock of the Corporation, another may be issued in its place upon proof of such loss, theft, mutilation or destruction and upon the giving of an indemnity or other undertaking to the Corporation in such form and in such sum as the Board may direct.

ARTICLE 8 - GENERAL PROVISIONS

Section 1. Dividends and other Distributions. The Board of Directors may from time to time declare and the Corporation may pay dividends or make other distributions with respect to its outstanding shares in the manner and upon the terms and conditions provided by law.

Section 2. Seal. The seal of the Corporation shall be any form approved from time to time by the Board of Directors.

Section 3. Waiver of Notice. Whenever notice is required to be given to a Shareholder, Director or other person under the provisions of these Bylaws, the Articles of Incorporation or applicable statute, a waiver in writing signed by the person or persons entitled to the notice, whether before or after the date and time stated in the notice, and delivered to the Corporation, shall be equivalent to giving the notice.

Section 4. Depositaries. The Chairman, the President, the Chief Financial Officer, and the Treasurer are each authorized to designate depositaries for the funds of the Corporation deposited in its name or that of a division of the Corporation, or both, and the signatories with respect thereto in each case, and from time to time, to change such depositaries and signatories, with the same force and effect as if each such depository and the signatories with respect thereto and changes therein had been specifically designated or authorized by the Board; and each depositary designated by the Board or by the Chairman, the President, the Chief Financial Officer, or the Treasurer shall be entitled to rely upon the certificate of the Secretary or any Assistant Secretary of the Corporation setting forth the fact of such designation and of the appointment of the officers of the Corporation or of other persons who are to be signatories with respect to the withdrawal of funds deposited with such depositary, or from time to time the fact of any change in any depositary or in the signatories with respect thereto.

Section 5. Signatories. Unless otherwise designated by the Board or by the Chairman, the President, the Chief Financial Officer or the Treasurer, all notes, drafts, checks, acceptances and orders for the payment of money shall be (a) signed by the Treasurer or any Assistant Treasurer, and (b) countersigned by the Controller or any Assistant

Controller, or either signed or countersigned by the Chairman, the Vice Chairman, the President, any Executive Vice President, any Senior Vice President or any Vice President in lieu of either the officers designated in (a) or the officers designated in (b) of this Section.

Section 6. Proxies. Unless otherwise provided for by a resolution of the Board, the Chief Executive Officer, or any Vice President or Secretary or Assistant Secretary designated by the Board, may from time to time appoint an attorney or attorneys or agent or agents of the Corporation to cast, in the name and on behalf of the Corporation, the votes which the Corporation may be entitled to cast as the holder of stock or other securities in any other corporation, any of whose stock or other securities may be held by the Corporation, at meetings of the holders of the stock or other securities of such other corporation or to consent in writing, in the name of the Corporation as such holder, to any action by such other corporation, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal, or otherwise, all such written proxies or other instruments as he may deem necessary or proper in the premises.

Section 7. Fiscal Year. The Fiscal year of the Corporation shall be fixed by the Board of Directors.

Section 8. Amendments. These Bylaws may be amended or repealed by the Board of Directors, including any Bylaw adopted, amended, or repealed by the Shareholders generally. These Bylaws may be amended or repealed by the Shareholders even though the Bylaws may also be amended or repealed by the Board of Directors.

n="top">

Net cash provided from (used by) financing activities
43 (155)
Effect of exchange rate changes on cash
24 (21)
Net (decrease) increase in cash and equivalents
(29) 71
Cash and equivalents at beginning of year
865 752
Cash and equivalents at end of period
$836 $823

See accompanying notes to the consolidated financial statements.

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Table of Contents

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

NOTE 1. Description of Business and Company Background

Visteon Corporation (the Company or Visteon) is a leading global supplier of automotive systems, modules and components to global vehicle manufacturers and the automotive aftermarket. Headquartered in Van Buren Township, Michigan, with regional headquarters in Kerpen, Germany and Shanghai, China, the Company has a workforce of approximately 47,000 employees and a network of manufacturing operations, technical centers, sales offices and joint ventures in every major geographic region of the world.

ACH Transactions

On May 24, 2005, the Company and Ford Motor Company (Ford) entered into a non-binding Memorandum of Understanding (MOU), setting forth a framework for the transfer of 23 North American facilities and related assets and liabilities (the Business) to a Ford-controlled entity. In September 2005, the Company and Ford entered into several definitive agreements and the Company completed the transfer of the Business to Automotive Components Holdings, LLC (ACH), an indirect, wholly-owned subsidiary of the Company.

On October 1, 2005, Ford acquired from Visteon all of the issued and outstanding shares of common stock of the parent of ACH in exchange for Ford s payment to the Company of approximately $300 million, as well as the forgiveness of certain other postretirement employee benefit (OPEB) liabilities and other obligations relating to hourly employees associated with the Business, and the assumption of certain other liabilities with respect to the Business (together, the ACH Transactions). Additionally, on October 1, 2005, Ford acquired from the Company warrants to acquire 25 million shares of the Company s common stock and agreed to provide funds to be used in the Company s further restructuring.

The Company maintains significant commercial relationships with Ford and its affiliates. Accordingly, transactions with Ford constitute a significant amount of the Company s product sales and services revenues, accounts receivable and certain postretirement benefit obligations as summarized below:

	Three-Months Ended June 30		Six-Months Ended June 30	
	2006	2005	2006	2005
	(Dollars in Millions)			
Product sales	$ 1,371	$ 3,223	$ 2,710	$ 6,477
Services revenues	$ 138	$	$ 283	$

	June 30 2006	December 31 2005
	(Dollars in Millions)	
Accounts receivable, net	$ 616	$ 618
Postretirement employee benefit related obligations	$ 130	$ 156

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VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2. Basis of Presentation

Interim Financial Statements: The unaudited consolidated financial statements of the Company have been prepared in accordance with the rules and regulations of the United States Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) have been condensed or omitted pursuant to such rules and regulations.

These interim consolidated financial statements include adjustments (consisting of normal recurring adjustments) that management believes are necessary for a fair presentation of the results of operations, financial position and cash flows of the Company for the interim periods presented. The Company s management believes that the disclosures are adequate to make the information presented not misleading when read in conjunction with the consolidated financial statements and the notes thereto included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2005, as filed with the SEC. Interim results are not necessarily indicative of full year results.

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and all subsidiaries that are more than 50% owned and over which the Company exercises control. Investments in affiliates of 50% or less but greater than 20% are accounted for using the equity method. The consolidated financial statements also include the accounts of certain entities in which the Company holds a controlling interest based on exposure to economic risks and potential rewards (variable interests) for which it is the primary beneficiary.

Reclassifications: Certain prior period amounts have been reclassified to conform to current period presentation.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect amounts reported herein. Management believes that such estimates, judgments and assumptions are reasonable and appropriate. However, due to the inherent uncertainty involved, actual results may differ from those provided in the Company s consolidated financial statements.

Recent Accounting Pronouncements: In July 2006, the Financial Accounting Standards Board (FASB) reaffirmed its decision to make the recognition provisions of its proposed standard, Employers Accounting for Defined Benefit Pension Plans and Other Postretirement Benefits, an amendment of FASB Statements No. 87, 88, 106 and 132(R), effective for public companies with fiscal years ending after December 15, 2006. Accordingly, the Company anticipates adoption of the new standard when issued during the latter half of 2006. The impact of this pronouncement is contingent upon the requirements of the final pronouncement as well as certain market conditions at the time of adoption. However, while adoption could have a material impact on the Company s financial position it is not expected to impact the Company s consolidated results of operations or cash flows.

In June 2006, the FASB issued Financial Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes an interpretation of Statement of Financial Accounting Standards No. 109 (SFAS 109), Accounting for Income Taxes. This Interpretation clarifies the accounting for income taxes recognized in accordance with SFAS 109 with respect to recognition and measurement for tax positions that are taken or expected to be taken in a tax return. FIN 48 is effective on January 1, 2007 and the Company is currently evaluating the impact of this pronouncement on its consolidated financial statements.

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VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2. Basis of Presentation (Continued)

In March 2006, the FASB issued Statement of Financial Accounting Standards No. 156 (SFAS 156), Accounting for Servicing of Financial Assets. This statement amends Statement of Financial Accounting Standards No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities with respect to the accounting for separately recognized servicing assets and servicing liabilities. SFAS 156 is effective on January 1, 2007 and the Company is currently evaluating the impact on its consolidated financial statements.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (Revised 2004) (SFAS 123(R)), Share-Based Payments. This statement requires that all share-based payments to employees be recognized in the financial statements based on their estimated fair value. SFAS 123(R) was adopted by the Company effective January 1, 2006 using the modified-prospective method. In accordance with the modified-prospective method, the Company s consolidated financial statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123(R). Under the modified-prospective method, compensation expense includes:

Share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the fair value estimated in accordance with the original provisions of Statement of Financial Accounting Standards No. 123, (SFAS 123) Accounting for Stock-Based Compensation.

Share-based payments granted subsequent to January 1, 2006, based on the fair value estimated in accordance with the provisions of SFAS 123(R).

The cumulative effect, net of tax, of adoption of SFAS 123(R) was $4 million or $0.03 per share as of January 1, 2006. The Company recorded $5 million, or $0.04 per share, and $11 million, or $0.09 per share, of incremental compensation expense during the three and six-month periods ended June 30, 2006, respectively, under SFAS 123(R) when compared to the amount that would have been recorded under SFAS 123. Additional disclosures required by SFAS 123(R) regarding the Company s stock-based compensation plans and related accounting are provided in Note 4 Stock-Based Compensation.

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VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2. Basis of Presentation (Continued)

Prior to the adoption of SFAS 123(R) and effective January 1, 2003 the Company began expensing the fair value of stock-based awards granted to employees pursuant to SFAS 123. This standard was adopted on the 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, the Company measured compensation cost using the intrinsic value method of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees as permitted by SFAS 123. If compensation cost for all stock-based awards had been determined based on the estimated fair value of stock options and the fair value at the date of grant for restricted stock awards, in accordance with the provisions of SFAS 123, the Company s reported net loss and net loss per share would have resulted in the pro forma amounts provided below:

	Three-Months Ended June 30, 2005	Six-Months Ended June 30, 2005
	(Dollars in Millions, Except Per Share Amounts)	
Net loss, as reported	$ (1,238)	$ (1,401)
Add: Stock-based employee compensation expense included in reported net loss, net of related tax effects	5	7
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(5)	(8)
Pro forma net loss	$ (1,238)	$ (1,402)
Net loss per share:		
As reported:		
Basic and diluted	$ (9.85)	$ (11.15)
Pro forma:		
Basic and diluted	$ (9.85)	$ (11.16)

In November 2004, the FASB issued Statement of Financial Accounting Standards No. 151 (SFAS 151), Inventory Costs an amendment of ARB No. 43, Chapter 4. This statement clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). This Statement requires that those items be recognized as current period charges regardless of whether they meet the criterion of so abnormal. In addition, this Statement requires that allocation of fixed production overhead to the costs of conversion be based on the normal capacity of the production facilities. SFAS 151 was adopted by the Company effective from January 1, 2006 and did not have a material effect on the Company s consolidated results of operations, financial position or cash flows.

NOTE 3. Extraordinary Item

On April 27, 2006 the Company s wholly-owned, consolidated subsidiary Carplastic, S.A. de C.V. acquired all of the real property, inventories, furniture, fixtures, tools, and related equipment of Guide Lighting Technologies of Mexico S. de R.L. de C.V., a lighting manufacturing facility located in Monterrey, Mexico.

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VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 3. Extraordinary Item (Continued)

In accordance with Statement of Financial Accounting Standards No. 141 Business Combinations, the Company allocated the purchase price to the assets and liabilities acquired. The sum of the amounts assigned to the assets and liabilities acquired exceeded the cost of the acquired entity and that excess was allocated as a pro rata reduction of the amounts that otherwise would have been assigned to all of the acquired non-financial assets (i.e. property and equipment). An excess of $8 million remained after reducing to zero the amounts that otherwise would have been assigned to the non-financial assets, and was recorded as an extraordinary gain in the accompanying consolidated financial statements.

NOTE 4. Stock-Based Compensation

Effective January 1, 2006, the Company adopted the provisions of SFAS 123(R) using the modified prospective transition method, and accordingly prior period amounts have not been restated to reflect and do not include the impact of SFAS 123(R). Prior to the adoption of SFAS 123(R) the Company accounted for stock-based compensation in accordance with SFAS 123. The Company recorded compensation expense for various stock-based compensation awards issued pursuant to the plans described below in the amounts of $24 million and $5 million, including the cumulative effect of change in accounting, for the three-month periods ended June 30, 2006 and 2005, respectively, and $31 million and $7 million for the six-month periods ended June 30, 2006 and 2005, respectively. No related income tax benefits were recorded during the three and six-month periods ended June 30, 2006 and 2005, respectively.

Stock-Based Compensation Plans

The Visteon Corporation 2004 Incentive Plan (2004 Incentive Plan) that was approved by shareholders, is administered by the Organization and Compensation Committee of the Board of Directors and provides for the grant of incentive and nonqualified stock options, stock appreciation rights (SARs), performance stock rights, restricted stock awards (RSAs), restricted stock units (RSUs) and stock and various other rights based on common stock. The maximum number of shares of common stock that may be subject to awards under the 2004 Incentive Plan is approximately 22 million shares, including an additional 7 million shares approved on May 10, 2006. During the three and six-month periods ended June 30, 2006, the Company granted under the 2004 Incentive Plan approximately 50,000 and 5 million SARs and approximately 35,000 and 2 million RSUs, respectively. During the three and six-month periods ended June 30, 2006, the Company granted approximately 25,000 RSAs and 41,000 stock options under the 2004 Incentive Plan. At June 30, 2006, there were approximately 8 million shares of common stock available for grant under the 2004 Incentive Plan.

The Visteon Corporation Employees Equity Incentive Plan (EEIP) that was approved by shareholders is administered by the Organization and Compensation Committee of the Board of Directors and provides for the grant of nonqualified stock options, SARs, performance stock rights and stock, and various other rights based on common stock. The maximum number of shares of common stock that may be subject to awards under the EEIP is approximately 7 million shares. At June 30, 2006, there were approximately 1 million shares of common stock available for grant under the EEIP although the Company has not granted shares under this plan during 2006.

The Visteon Corporation Restricted Stock Plan for Non-Employee Directors provides for the automatic annual grant of RSUs to non-employee directors. RSUs awarded under the Non-Employee Director Stock Unit Plan vest immediately, but are distributed after the participant terminates service as a non-employee director of the Company.

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VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4. Stock-Based Compensation (Continued)

Stock-Based Compensation Awards

Substantially all of the Company s stock-based compensation awards take the form of stock options, SARs, RSAs and RSUs.

Stock options and SARs granted under the aforementioned plans have an exercise price equal to the average of the highest and lowest prices at which the Company s common stock was traded on the New York Stock Exchange on the date of grant and become exercisable on a ratable basis over a three year vesting period. Stock options and SARs granted under the 2004 Incentive Plan after December 31, 2003 expire five to seven years following the grant date. Stock options granted under the EEIP, and those granted prior to January 1, 2004 under the 2004 Incentive Plan, expire 10 years after the grant date. Stock options are settled in shares of the Company s common stock upon exercise. Accordingly, such amount is recorded in the Company s consolidated balance sheets under the caption Additional paid-in capital. SARs are settled in cash and accordingly result in the recognition of a liability representing the vested portion of the obligation. As of June 30, 2006 and December 31, 2005, approximately $19 million and less than $1 million, respectively, of such liability is recorded in the Company s consolidated balance sheets under the caption Other non-current liabilities.

RSAs and RSUs granted under the aforementioned plans vest after a designated period of time (time-based), which is generally two to five years, or upon the achievement of certain performance goals (performance-based) at the completion of a performance period, which is generally three years. RSAs are settled in shares of the Company s common stock upon the lapse of restrictions on the underlying shares. Accordingly, such amount is recorded in the Company s consolidated balance sheets under the caption Additional paid-in capital. RSUs awarded under the 2004 Incentive Plan are settled in cash and, accordingly, result in the recognition of a liability representing the vested portion of the obligation. As of June 30, 2006 and December 31, 2005, approximately $11 million and $1 million, respectively, of the current portion of such liability is recorded in the Company s consolidated balance sheets under the caption Other current liabilities. As of June 30, 2006 and December 31, 2005, approximately $10 million and $13 million, respectively, of the long-term portion of such liability is recorded under the caption Other non-current liabilities.

Fair Value Estimation Methodology and Assumptions

The Company s use of the Black-Scholes option pricing model requires management to make various assumptions including the risk-free interest rate, expected term, expected volatility, and dividend yield. Expected volatilities are based on the historical volatility of the Company s stock. The expected term represents the period of time that stock-based compensation awards granted are expected to be outstanding and is estimated based on considerations including the vesting period, contractual term and anticipated employee exercise patterns. The risk-free rate for periods during the contractual life of stock-based compensation rewards is based on the U.S. Treasury yield curve in effect at the time of grant. Dividend yield assumptions are based on historical patterns and future expectations.

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VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4. Stock-Based Compensation (Continued)

Prior to the adoption of SFAS 123(R) the Company used the Black-Scholes option pricing model to determine the fair value of its equity based awards. All other awards were based on the intrinsic value of the underlying stock. The weighted average assumptions used to estimate the fair value for stock options granted during the three and six-month periods ended June 30, 2006 and 2005 are as follows:

	Three-Months Ended June 30		Six-Months Ended June 30	
	2006	2005	2006	2005
Expected term (in years)	4	4	4	4
Risk-free interest rate	5.1%	3.8%	5.1%	4.0%
Expected volatility	57.0%	50.0%	57.0%	44.2%
Expected dividend yield	0.0%	0.0%	0.0%	0.0%

The weighted average assumptions used to estimate the fair value of SARs for the three and six-month periods ended June 30, 2006 are an expected term of 3 years, a risk-free rate of 5.1%, expected volatility of 57% and an expected dividend yield of zero.

Stock Appreciation Rights and Stock Options

The following is a summary of the range of exercise prices for stock options and SARs that are currently outstanding and that are currently exercisable at June 30, 2006:

	Stock Options and SARs Outstanding			Stock Options and SARs Exercisable	
	Number Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Price
	(In Thousands)	(In Years)		(In Thousands)	
$ 4.00 - $ 7.00	15,019	4.8	$ 5.91	6,331	$ 6.51
$ 7.01 - $12.00	3,192	3.0	$ 9.93	2,041	$ 9.90
$12.01 - $17.00	4,359	5.0	$ 13.43	4,359	$ 13.43
$17.01 - $22.00	2,240	4.8	$ 17.46	2,240	$ 17.46
	24,810	4.6		14,971	

The intrinsic value of stock options and SARs outstanding and exercisable was approximately $20 million and $4 million, respectively, at June 30, 2006. The weighted average fair value of SARs granted was $4.50 for the three-month period ended June 30, 2006. No SARs were granted during the three-month period ended June 30, 2005. The weighted average fair value of SARs granted was $4.29 and $3.37 for the six-month periods ended June 30, 2006 and 2005, respectively. The weighted average fair value of stock options granted was $2.79 and $2.74 for the

three-month periods ended June 30, 2006 and 2005, respectively, and $2.79 and $2.46 for the six-month periods ended June 30, 2006 and 2005, respectively.

As of June 30, 2006, there was approximately $4 million and $13 million of total unrecognized compensation cost related to non-vested stock options and SARs, respectively, granted under the Company s stock-based compensation plans. That cost is expected to be recognized over a weighted average period of approximately 2 years.

VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4. Stock-Based Compensation (Continued)

A summary of activity for the three and six-month periods ended June 30, 2006, including award grants, exercises and forfeitures is provided below for stock options and SARs.

	Stock Options	Weighted Average Exercise Price	SARs	Weighted Average Exercise Price
	(In Thousands)		(In Thousands)	
Outstanding at December 31, 2005	15,014	$ 10.67	6,103	$ 7.44
Granted			4,658	$ 4.76
Forfeited or expired	(265)	$ 6.63	(233)	$ 7.43
Outstanding at March 31, 2006	14,749	$ 10.64	10,528	$ 6.30
Granted	41	$ 5.79	50	$ 5.85
Exercised	(96)	$ 6.63	(72)	$ 6.25
Forfeited or expired	(296)	$ 13.88	(94)	$ 6.86
Outstanding at June 30, 2006	14,398	$ 10.59	10,412	$ 6.29
Exercisable at June 30, 2006	12,471	$ 11.14	2,500	$ 8.06

Restricted Stock Units and Restricted Stock Awards

The weighted average grant date fair value of RSUs granted was $5.80 and $6.42 for the three-month periods ended June 30, 2006 and 2005, respectively, and $4.81 and $6.27 for the six-month periods ended June 30, 2006 and 2005, respectively. The weighted average grant date fair value of RSAs was $5.85 and $3.47 for the three and six-month periods ended June 30, 2006 and 2005, respectively. The total fair value of RSAs vested during the six-month periods ended June 30, 2006 and 2005 was approximately $10 million and $1 million, respectively. As of June 30, 2006, there was approximately $1 million and $24 million of total unrecognized compensation cost related to non-vested RSAs and RSUs, respectively, granted under the Company s stock-based compensation plans. That cost is expected to be recognized over a weighted average period of approximately 3 years for RSAs and approximately 2 years for RSUs.
A summary of activity for the three and six-month periods ended June 30, 2006, including award grants, exercises and forfeitures is provided below for RSAs and RSUs.

	RSAs	RSUs	Weighted Average Grant Date Fair Value
	(In Thousands)		
Non-vested at December 31, 2005	2,217	5,599	$ 7.89
Granted		2,098	$ 4.76
Vested	(2,015)	(35)	$ 6.83
Forfeited	(15)	(202)	$ 7.73

Non-vested at March 31, 2006	187	7,460	$	8.30
Granted	25	35	$	5.82
Vested	(3)	(132)	$	7.68
Forfeited		(122)	$	6.57
Non-vested at June 30, 2006	209	7,241	$	7.33

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VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 5. Restructuring Activities

The Company has undertaken various restructuring activities designed to achieve its strategic objectives and improve profitability. Restructuring activities include, but are not limited to, plant closures, employee reductions, production relocation, administrative realignment and consolidation of available capacity and resources. The Company expects to finance restructuring programs through cash reimbursement from an escrow account established pursuant to the ACH Transactions, from cash generated from its ongoing operations, or from cash available under its existing debt agreements, subject to the terms of applicable covenants. The Company does not expect that the execution of these programs will have a significant adverse impact on its liquidity position.

Escrow Agreement

Pursuant to the Escrow Agreement, dated as of October 1, 2005, among the Company, Ford and Deutsche Bank Trust Company Americas, Ford paid $400 million into an escrow account for use by the Company to restructure its businesses. The Escrow Agreement provides that the Company will be reimbursed from the escrow account for the first $250 million of reimbursable restructuring costs, as defined in the Escrow Agreement, and up to one half of the next $300 million of such costs. Monies in the escrow account are invested, at the direction of the Company, in high quality, short-term investments and related investment earnings are credited to the account as earned. Under the terms of the Escrow Agreement, investment earnings are not available for disbursement until the initial funding is utilized. The following table provides a reconciliation of amounts available in the escrow account.

	Three-Months Ended June 30, 2006	Six-Months Ended June 30, 2006	Inception through June 30, 2006
		(Dollars in Millions)	
Beginning escrow account available	$ 351	$ 380	$ 400
Add: Investment earnings	2	6	10
Deduct: Disbursements for restructuring costs	(12)	(45)	(69)
Ending escrow account available	$ 341	$ 341	$ 341

As of June 30, 2006 and December 31, 2005, approximately $3 million and $27 million, respectively, of amounts receivable from the escrow account were included in the Company s consolidated balance sheets.

2006 Restructuring Actions

On January 11, 2006, the Company announced a three-year improvement plan that involves certain underperforming and non-strategic plants and businesses and is designed to improve operating performance and achieve cost reductions. Activities associated with this plan are expected to affect up to 23 facilities with costs expected to include employee severance and termination benefit costs, contract termination costs, and production transfer costs.

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VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 5. Restructuring Activities (Continued)

The Company estimates that the total cash cost associated with this three-year improvement plan will be approximately $550 million, offset by $400 million of escrow account reimbursement. Generally, charges are recorded as elements of the plan are finalized and the timing of activities and the amount of related costs are not likely to change. The Company has incurred $58 million in cumulative restructuring costs related to the three-year improvement plan including $36 million, $11 million, $6 million and $5 million for the Other, Electronics, Interiors and Climate product groups respectively. Substantially all restructuring expenses recorded to date relate to employee severance and termination benefit costs and are aggregated in the consolidated financial statements as Restructuring expenses on the consolidated statements of operations.

Significant restructuring actions under the three-year improvement Plan for the three-month period ended June 30, 2006 include the following:

Approximately $6 million was recorded related to the closing of a European Interiors manufacturing facility. Substantially all of the charges recorded for this action are for employee severance and termination benefit costs, which relate to approximately 350 hourly and salaried employees. This action is expected to be completed during the third quarter of 2006.

Approximately $3 million was recorded related to the closing of a Climate manufacturing facility in Mexico. Substantially all of the charges recorded for this action are for employee severance and termination benefit costs, which relate to approximately 150 hourly and salaried employees. This action is expected to be completed during the third quarter of 2006.

Restructuring Reserves

The following is a summary of the Company s consolidated restructuring reserves and related activity as of and for the three and six-month periods ended June 30, 2006. Substantially all of the reserve balances as of June 30, 2006 are related to the Three-Year Improvement Plan.

	Interiors	Climate	Electronics	Other	Total
			(Dollars in Millions)		
December 31, 2005	$	$	$ 2	$ 12	$ 14
Expenses		2	6	1	9
Utilization		(2)	(3)	(7)	(12)
March 31, 2006			5	6	11
Expenses	6	4		2	12
Utilization			(1)	(2)	(3)
June 30, 2006	$ 6	$ 4	$ 4	$ 6	$ 20

NOTE 6. Asset Impairments

2006 Impairment Actions

In accordance with Statement of Financial Accounting Standards No. 144 (SFAS 144), Accounting for the Impairment or Disposal of Long-Lived Assets and in connection with restructuring activities undertaken at a European Interiors facility, the Company recorded an asset impairment of $10 million to reduce the net book value of certain long-lived assets to their estimated fair value.

VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 6. Asset Impairments (Continued)

Vitro Flex, S.A. de C.V. (Vitro Flex), a Mexican corporation, is a joint venture 38% owned by the Company and its subsidiaries. Vitro Flex manufactures and supplies tempered and laminated glass for use in automotive vehicles. In accordance with Accounting Principles Board Opinion No. 18, The Equity Method of Accounting for Investments in Common Stock, the Company determined that an other than temporary decline in the fair market value of this investment occurred. Consequently, the Company reduced the carrying value of its investment in Vitro Flex by approximately $12 million to its estimated fair market value at June 30, 2006.

2005 Impairment Actions

On May 24, 2005, the Company and Ford entered into a non-binding MOU, setting forth a framework for the transfer of the Business to a Ford-controlled entity. In September 2005, the Company and Ford entered into several definitive agreements and the Company completed the transfer of the Business to ACH, an indirect, wholly-owned subsidiary of the Company.

Following the signing of the MOU and at June 30, 2005, the Company classified the manufacturing facilities and associated assets, including inventory, machinery, equipment and tooling to be sold as held for sale. The liabilities to be assumed or forgiven by Ford pursuant to the ACH Transactions, including employee liabilities and postretirement employee benefits payable to Ford were classified as liabilities associated with assets held for sale in the Company s consolidated balance sheet following the signing of the MOU. SFAS 144 requires long-lived assets that are considered held for sale to be measured at the lower of their carrying value or fair value less cost to sell and future depreciation of such assets is ceased. During the three-month period ended June 30, 2005, the Company s Automotive Operations segment recorded a non-cash impairment charge of $920 million to write-down those assets considered held for sale to their aggregate estimated fair value less cost to sell.

Additionally, during the three-month period ended June 30, 2005, the Automotive Operations segment recorded an impairment charge of $256 million to reduce the net book value of certain long-lived assets considered to be held for use to their estimated fair value. The impairment assessment was performed pursuant to impairment indicators including lower than anticipated current and near term future production volumes and the related impact on the Company s projected operating results and cash flows.

NOTE 7. Inventories

Inventories are stated at the lower of cost or market, determined on a first-in, first-out basis. A summary of inventories is provided below:

	June 30 2006	December 31 2005
	(Dollars in Millions)	
Raw materials	$ 166	$ 158
Work-in-process	265	242
Finished products	194	182
	625	582
Valuation reserves	(55)	(45)
	$ 570	$ 537

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VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 8. Property and Equipment
Property and equipment is stated at cost and is depreciated over the estimated useful lives of the assets, principally using the straight-line method. A summary of property and equipment is provided below:

	June 30 2006	December 31 2005
	(Dollars in Millions)	
Land	$ 115	$ 113
Buildings and improvements	1,219	1,148
Machinery, equipment and other	3,855	3,492
Construction in progress	182	200
Total property and equipment	5,371	4,953
Accumulated depreciation	(2,508)	(2,140)
	2,863	2,813
Special tools, net of amortization	166	160
	$ 3,029	$ 2,973

Depreciation and amortization expenses are summarized as follows:

	Three-Months Ended June 30		Six-Months Ended June 30	
	2006	2005	2006	2005
	(Dollars in Millions)			
Depreciation	$ 93	$ 154	$ 181	$ 304
Amortization	13	26	27	52
	$ 106	$ 180	$ 208	$ 356

NOTE 9. Non-Consolidated Affiliates
The Company had $210 million and $226 million of equity in the net assets of non-consolidated affiliates at June 30, 2006 and December 31, 2005, respectively. The following table presents summarized financial data for such non-consolidated affiliates. The amounts included in the table below represent 100% of the results of operations of the Company s non-consolidated affiliates accounted for under the equity method.
Summarized financial data for the three-month periods ended June 30 are as follows:

Net Sales	Gross Margin	Net Income

	2006	2005	2006	2005	2006	2005
			(Dollars in Millions)			
Yanfeng Visteon Automotive Trim Systems Co., Ltd.	$ 353	$ 228	$ 54	$ 34	$ 14	$ 7
All other	184	144	33	22	9	10
	$ 537	$ 372	$ 87	$ 56	$ 23	$ 17

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VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 9. Non-Consolidated Affiliates (Continued)

Summarized financial data for the six-month periods ended June 30 are as follows:

	Net Sales		Gross Margin		Net Income	
	2006	2005	2006	2005	2006	2005
	(Dollars in Millions)					
Yanfeng Visteon Automotive Trim Systems Co., Ltd.	$ 664	$ 421	$ 102	$ 60	$ 25	$ 13
All other	316	292	46	44	12	16
	$ 980	$ 713	$ 148	$ 104	$ 37	$ 29

The Company s share of net assets and net income is reported in the consolidated financial statements as Equity in net assets of non-consolidated affiliates on the consolidated balance sheets and Equity in net income of non-consolidated affiliates on the consolidated statements of operations. Included in the Company s accumulated deficit is undistributed income of non-consolidated affiliates accounted for under the equity method of approximately $110 million and $130 million at June 30, 2006 and December 31, 2005, respectively.

NOTE 10. Other Liabilities

Other current liabilities are summarized as follows:

	June 30 2006	December 31 2005
	(Dollars in Millions)	
Salaries, wages and employer taxes	$ 138	$ 83
Product warranty and recall	80	74
Postretirement employee benefits other than pensions	37	42
Interest	34	46
Income taxes payable	28	23
Restructuring reserves	20	14
Other	100	156
	$ 437	$ 438

Other non-current liabilities are summarized as follows:

	June 30 2006	December 31 2005
	(Dollars in Millions)	
Non-income tax liabilities	$ 130	$ 131
Product warranty and recall	79	74
Other	238	177

	$	447	$	382

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VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 11. Debt

Short-term and long-term debt, including the fair market value of related interest rate swaps, are as follows:

	June 30 2006	December 31 2005
	(Dollars in Millions)	
Short-term debt		
Revolving credit facility	$	$ 347
Other short-term	84	107
Current portion of long-term debt	47	31
	131	485
Long-term debt		
Five-year term loan due June 25, 2007		241
8.25% notes due August 1, 2010	547	701
Seven-year term loan due June 13, 2013	800	
7.00% notes due March 10, 2014	431	442
Other	132	125
	1,910	1,509
	$ 2,041	$ 1,994

On June 13, 2006, the Company entered into a credit agreement with a syndicate of third-party lenders to provide for an $800 million seven-year secured term loan and used the proceeds from that loan to repay borrowings and interest under the $350 million 18-month term loan, the $241 million five-year term loan, and amounts outstanding under the five-year revolving credit facility. Subsequent to closing on the new term loan, the Company initiated open market purchases of its 8.25% notes due 2010. The Company purchased $150 million of the notes at an all-in weighted cost of 94.16% of par, resulting in a gain on early extinguishment of approximately $8 million.

The new credit facility is secured by a first-priority lien on certain assets of the Company and most of its domestic subsidiaries, including intellectual property, intercompany debt, the capital stock of nearly all direct and indirect subsidiaries (excluding Halla Climate Control) and 65% of the stock of certain first-tier foreign subsidiaries as well as a second-priority lien on substantially all other tangible and intangible assets of the Company and most of its domestic subsidiaries. The terms of the facilities limit the obligations secured by certain U.S. assets to ensure compliance with the Company s bond indenture. Borrowings under the credit facilities bear interest based on a variable rate interest option selected at the time of borrowing and will mature on June 13, 2013.

The Company also amended its five-year revolving credit facility to reduce the amount available under the facility from $772 million to $500 million. This facility contains certain affirmative and negative covenants including a covenant not to exceed a certain leverage ratio of consolidated total debt to consolidated EBITDA (as defined in the Credit Agreements) of 5.25 for the three-month period ending June 30, 2006; 4.25 for the three-month period ending September 30, 2006; 3.00 for the three-month period ending December 31, 2006; 2.75 for the three-month period ending March 31, 2007; and 2.50 thereafter. In addition, the agreement limits the amount of capital expenditures and cash dividend payments. The Company was in compliance with applicable covenants and restrictions, as amended, as

of June 30, 2006.

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VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12. Employee Retirement Benefits
The components of postretirement benefits other than pensions are as follows:

	June 30 2006	December 31 2005
	(Dollars in Millions)	
Visteon sponsored postretirement benefits other than pensions	$ 699	$ 724
Postretirement benefit related obligations to Ford	127	154
Postretirement benefits other than pensions	$ 826	$ 878

Net Periodic Benefit Costs
Components of net periodic benefit cost for the three-month periods ended June 30 are as follows:

	Retirement Plans				Health Care and Life Insurance Benefits	
	U.S. Plans		Non-U.S. Plans			
	2006	2005	2006	2005	2006	2005
	(Dollars in Millions)					
Service cost	$ 13	$ 16	$ 8	$ 8	$ 4	$ 12
Interest cost	18	18	16	16	10	17
Expected return on plan assets	(18)	(17)	(12)	(15)		
Amortization of:						
Plan amendments	1	3	2	2	(12)	
Actuarial losses and other	2	1	5	2	7	6
Special termination benefits	1					
Curtailment gain	(11)				(37)	
Visteon sponsored plan net periodic benefit cost	6	21	19	13	(28)	35
Expense for Visteon-assigned Ford-UAW and certain salaried employees		29			(3)	56
Net periodic benefit cost, excluding restructuring	$ 6	$ 50	$ 19	$ 13	$ (31)	$ 91

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VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12. Employee Retirement Benefits (Continued)

Components of net periodic benefit cost for the six-month periods ended June 30 are as follows:

	Retirement Plans				Health Care and Life Insurance Benefits	
	U.S. Plans		Non-U.S. Plans			
	2006	2005	2006	2005	2006	2005
	(Dollars in Millions)					
Service cost	$ 29	$ 31	$ 17	$ 17	$ 8	$ 24
Interest cost	37	36	33	32	21	34
Expected return on plan assets	(36)	(34)	(25)	(30)		
Amortization of:						
Plan amendments	3	5	3	4	(25)	(1)
Actuarial losses and other	3	3	10	4	14	13
Special termination benefits	1					
Curtailment gain	(11)		(1)		(37)	
Visteon sponsored plan net periodic benefit costs	26	41	37	27	(19)	70
Expense for Visteon-assigned Ford-UAW and certain salaried employees	(3)	56			(28)	111
Net periodic benefits costs, excluding restructuring	$ 23	$ 97	$ 37	$ 27	$ (47)	$ 181

Retirement Benefit Related Restructuring Expenses

During the six-month period ended June 30, 2005, the Company recognized $3 million reflecting a pension loss related to the continuation of the voluntary termination incentive program in the U.S. which began in 2004. During the three and six-month periods ended June 30, 2005, the Company recognized $1 million in special termination benefits related to certain non-U.S. pensions.

Contributions

During the six-month period ended June 30, 2006, contributions to the Company s U.S. retirement plans and postretirement health care and life insurance plans were $19 million and $12 million, respectively, and contributions to non-U.S. retirement plans were $27 million. The Company presently anticipates additional contributions to its U.S. retirement plans and postretirement health care and life insurance plans of $64 million and $23 million, respectively, in 2006 for a total of $83 million and $35 million, respectively. The Company also anticipates additional 2006 contributions to non-U.S. retirement plans of $37 million for a total of $64 million.

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VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12. Employee Retirement Benefits (Continued)

Postretirement Benefit Related Relief

Effective January 1, 2006, Ford acquired two plants from ACH, which are located in Rawsonville, Michigan and Sterling Heights, Michigan. In connection with this transaction and the Salaried Employee Transition Agreement between the Company and Ford, certain salaried employees of the Company were transferred to Ford who were eligible for benefits or had rights to benefits under Ford s postretirement health care and life insurance plans. The Company reported in the consolidated statements of operations as Costs of sales approximately $1 million and $24 million related to the relief of postretirement benefits payable to Ford during the three and six-month periods ended June 30, 2006, respectively, and recorded curtailment gains of approximately $48 million in the three-month period ended June 30, 2006 related to the reduction in expected future service in Visteon sponsored postretirement health care and life insurance plans and retirement plans.

NOTE 13. Income Taxes

The Company s provision for income taxes in interim periods is computed by applying an estimated annual effective tax rate against income (loss) before income taxes, excluding related equity in net income of affiliated companies, for the period. Under Accounting Principles Board Opinion No, 28, Interim Financial Reporting, the Company is required to adjust its effective tax rate each three-month period to be consistent with the estimated annual effective tax rate. The Company is also required to record the tax impact of certain unusual or infrequently occurring items, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, in the interim period in which they occur. In addition, jurisdictions with a projected loss for the year where no tax benefit can be recognized are excluded from the estimated annual effective tax rate.

For both the three and six-month periods ended June 30, 2006 and 2005, income taxes included the impact of maintaining a valuation allowance against the Company s deferred tax assets in the U.S. and certain foreign countries. As a result, income tax benefits attributable to pre-tax losses incurred in the affected jurisdictions were not provided. The Company recorded a provision of $17 million and $47 million for the three and six-month periods ended June 30, 2006, respectively, as compared with a benefit of $2 million and provision of $20 million for the three and six-month periods ended June 30, 2005. The provisions for both the three and six-month periods ended June 30, 2006 reflect income tax expense related to those countries where the Company is profitable and whose results continue to be tax-effected, accrued withholding taxes, and certain non-recurring and other discrete tax items.

Non-recurring and other discrete items recorded in the three-month period ended June 30, 2006 included a $14 million benefit related to the restoration of deferred tax assets associated with the Company s operations in Brazil. In accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, (SFAS 109) and based on the existence of sustained profitability in Brazil in recent years, including profits generated in 2006, and the most recent assessment of expected future profitability, the Company reversed previously established valuation allowances.

The need to maintain valuation allowances against deferred tax assets in the U.S. and other affected countries will continue to cause variability in the Company s quarterly and annual effective tax rates. Full valuation allowances against deferred tax assets in the U.S. and applicable foreign countries, which include the U.K. and Germany, will be maintained until sufficient positive evidence exists to reduce or eliminate them.

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VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 14. Comprehensive Income (Loss)

Comprehensive income (loss), net of tax is summarized below:

	Three-Months Ended June 30		Six-Months Ended June 30	
	2006	2005	2006	2005
	(Dollars in Millions)			
Net income (loss)	$ 50	$ (1,238)	$ 53	$ (1,401)
Change in foreign currency translation adjustments	28	(86)	64	(134)
Other	(7)	(17)	(11)	(15)
	$ 71	$ (1,341)	$ 106	$ (1,550)

Accumulated other comprehensive loss, net of tax is comprised of the following:

	June 30 2006	December 31 2005
	(Dollars in Millions)	
Foreign currency translation adjustments	$ 109	$ 45
Minimum pension liability	(274)	(274)
Realized and unrealized losses on derivatives and other	(16)	(5)
	$ (181)	$ (234)

VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 15. Earnings (Loss) Per Share

Basic earnings (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 earnings (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.

	Three-Months Ended June 30		Six-Months Ended June 30	
	2006	2005	2006	2005
	(Dollars in Millions)			
Numerator:				
Net income (loss) before change in accounting and extraordinary item	$ 42	$ (1,238)	$ 49	$ (1,401)
Cumulative effect of change in accounting, net of tax			(4)	
Net income (loss) before extraordinary item	42	(1,238)	45	(1,401)
Extraordinary item, net of tax	8		8	
Net income (loss)	$ 50	$ (1,238)	$ 53	$ (1,401)
Denominator:				
Average common stock outstanding	128.0	128.5	128.2	128.6
Less: Average restricted stock outstanding	(0.2)	(2.8)	(0.7)	(3.0)
Basic shares	127.8	125.7	127.5	125.6
Net dilutive effect of restricted stock	0.1		0.1	
Diluted shares	127.9	125.7	127.6	125.6
Per Share Data:				
Basic and diluted earnings (loss) per share before change in accounting and extraordinary item	$ 0.33	$ (9.85)	$ 0.38	$ (11.15)
Cumulative effect of change in accounting, net of tax			(0.03)	
Basic and diluted earnings (loss) per share before extraordinary item	0.33	(9.85)	0.35	(11.15)
Extraordinary item, net of tax	0.06		0.06	
Basic and diluted earnings (loss) per share	$ 0.39	$ (9.85)	$ 0.41	$ (11.15)

Stock options to purchase approximately 12 million shares of common stock and warrants to purchase 25 million shares of common stock were not included in the computation of diluted earnings (loss) per share because the effect of including them would have been anti-dilutive, as the exercise price was greater than the average market price of the

common shares for the period ended June 30, 2006.

VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16. Asset Securitization

The Company has certain agreements in place whereby trade accounts receivable are sold to third-party financial institutions without recourse. The Company sold 54 million euro ($69 million), and 99 million euro ($117 million) under such agreements in Europe as of June 30, 2006 and December 31, 2005, respectively. Additionally, the Company sold 830 million Japanese yen ($7 million) of trade receivables under such agreements as of December 31, 2005.

The Company recognized losses of approximately $1 million and $2 million for the three and six-month periods ended June 30, 2006, respectively, and less than $1 million and approximately $1 million for the three and six-month periods ended June 30, 2005, respectively. Such losses represent the discount from book values at which these receivables were sold to third parties.

NOTE 17. Commitments and Contingencies

Guarantees

The Company has guaranteed approximately $140 million and $136 million of debt capacity held by consolidated subsidiaries, and $96 million and $84 million for lifetime lease payments held by consolidated subsidiaries at June 30, 2006 and December 31, 2005, respectively. In addition, the Company has guaranteed certain Tier 2 suppliers debt and lease obligations and other third-party service providers obligations of up to $17 million at June 30, 2006 and $20 million at December 31, 2005, to ensure the continued supply of essential parts.

Vitro Flex manufactures and supplies tempered and laminated glass for use in automotive vehicles. Pursuant to the joint venture agreement the Company is required to provide, through 2008, sales orders and/or other competitively-priced business opportunities meeting certain average annual levels, mainly based on the venture s manufacturing capacity. In addition to the Company s equity investment of $8 million, the Company has exposure to the after tax cash effect for shortfalls to agreed upon average annual sales levels pursuant to the joint venture agreement. The Company, pursuant to the terms of the Vitro Flex joint venture agreement, has elected to terminate the aforementioned supply arrangement. However, such termination is not effective until January 2009.

Litigation and Claims

In February 2005, a shareholder lawsuit was filed in the U.S. District Court for the Eastern District of Michigan against the Company and certain current and former officers of the Company. In July 2005, the Public Employees Retirement System of Mississippi was appointed as lead plaintiff in this matter. In September 2005, the lead plaintiff filed an amended complaint, which alleges, among other things, that the Company and its independent registered public accounting firm, PricewaterhouseCoopers LLP, made misleading statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. The named plaintiff seeks to represent a class consisting of purchasers of the Company s securities during the period between June 28, 2000 and January 31, 2005. Class action status has not yet been certified in this litigation. In December 2005, defendants moved to dismiss the amended complaint for failure to state a claim, and oral arguments on that motion were held in May 2006. No ruling has been made on such motion.

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VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 17. Commitments and Contingencies (Continued)

In March 2005, a number of current and former directors and officers were named as defendants in two shareholder derivative suits pending in the State of Michigan Circuit Court for the County of Wayne. As is customary in derivative suits, the Company has been named as a defendant in these actions. As a nominal defendant, the Company is not liable for any damages in these suits nor is any specific relief sought against the Company. The complaints allege that, among other things, the individual defendants breached their fiduciary duties of good faith and loyalty and aided and abetted such breaches during the period between January 23, 2004 and January 31, 2005 in connection with the Company s conduct concerning, among other things, the matters alleged in the securities class action discussed immediately above. The derivative matters have been stayed pending resolution of defendants motion to dismiss the securities matter pending in the Eastern District of Michigan.

In March and April 2005, the Company and a number of current and former employees, officers and directors were named as defendants in three class action lawsuits brought under the Employee Retirement Income Security Act (ERISA) in the U.S. District Court for the Eastern District of Michigan. In September 2005, the plaintiffs filed an amended and consolidated complaint, which generally alleges that the defendants breached their fiduciary duties under ERISA during the class period by, among other things, continuing to offer Visteon stock as an investment alternative under the Visteon Investment Plan (and the Visteon Savings Plan for Hourly Employees, together the Plans), failing to disclose complete and accurate information regarding the prudence of investing in Visteon stock, failing to monitor the actions of certain of the defendants, and failing to avoid conflicts of interest or promptly resolve them. These ERISA claims are predicated upon factual allegations similar to those raised in the derivative and securities class actions described immediately above. The consolidated complaint was brought on behalf of a named plaintiff and a putative class consisting of all participants or beneficiaries of the Plans whose accounts included Visteon stock at any time from July 20, 2001 through May 25, 2005. In November 2005, the defendants moved to dismiss the consolidated amended complaint on various grounds. Settlement negotiations are currently on-going in this matter.

In June 2006, the Company and Ford Motor Company were named as defendants in a purported class action lawsuit brought under ERISA in the United States District Court for the Eastern District of Michigan on behalf of certain former salaried employees of the Company associated with two plants located in Michigan. The complaint alleges that the Company and Ford violated their fiduciary duties under ERISA when they established and spun off the Company and allocated certain pension liabilities between them, and later when they transferred the subject employees to Ford as new hires in 2006 after Ford acquired the plants.

The Company and its current and former directors and officers intend to contest the foregoing lawsuits vigorously. However, at this time the Company is not able to predict with certainty the final outcome of each of the foregoing lawsuits or its potential exposure with respect to each such lawsuit. In the event of an unfavorable resolution of any of these matters, the Company s earnings and cash flows in one or more periods could be materially affected to the extent any such loss is not covered by insurance or applicable reserves.

VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 17. Commitments and Contingencies (Continued)

Product Warranty and Recall

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

The following table provides a reconciliation of changes in product warranty and recall liability for the six-month periods ended June 30, 2006 and 2005:

	Product Warranty and Recall	
	2006	**2005**
	(Dollars in Millions)	
Beginning balance, January 1	$ 148	$ 94
Accruals for products shipped	22	32
Changes in estimates	2	17
Settlements	(13)	(17)
Ending balance, June 30	$ 159	$ 126

Environmental Matters

The Company is subject to the requirements of federal, state, local and foreign environmental and occupational safety and health laws and regulations. These include laws regulating air emissions, water discharge and waste management. The Company is also subject to environmental laws requiring the investigation and cleanup of environmental contamination at properties it presently owns or operates and at third-party disposal or treatment facilities to which these sites send or arranged to send hazardous waste.

The Company is aware of contamination at some of its properties and relating to various third-party superfund sites at which the Company or its predecessor has been named as a potentially responsible party. The Company is in various stages of investigation and cleanup at these sites and at June 30, 2006, had recorded a reserve of approximately $9 million for this environmental investigation and cleanup. However, estimating liabilities for environmental investigation and cleanup is complex and dependent upon a number of factors beyond the Company s control and which may change dramatically. Although the Company believes its reserve is adequate based on current information, the Company cannot provide assurance that the eventual environmental investigation, cleanup costs and related liabilities will not exceed the amount of its current reserve.

VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 17. Commitments and Contingencies (Continued)

Other Contingent Matters

In addition to the matters discussed above, various other legal actions, governmental investigations and proceedings and claims are pending or may be instituted or asserted in the future against the Company, including those arising out of alleged defects in the Company s products; governmental regulations relating to safety; employment-related matters; customer, supplier and other contractual relationships; and intellectual property rights. Some of the foregoing matters may involve compensatory, punitive or antitrust or other treble damage claims in very large amounts, or demands for equitable relief, sanctions, or other relief.

Contingencies are subject to many uncertainties, and the outcome of individual litigated matters is not predictable with assurance. Reserves have been established by the Company for matters where losses are deemed probable and reasonably estimable. It is possible, however, that some of the matters could be decided unfavorably to the Company and could require the Company to pay damages or make other expenditures in amounts, or a range of amounts, that cannot be estimated at June 30, 2006 and that are in excess of established reserves. The Company does not reasonably expect, except as otherwise described herein, based on its analysis, that any adverse outcome from such matters would have a material effect on the Company s financial condition, results of operations or cash flows, although such an outcome is possible.

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

NOTE 18. Segment Information

Statement of Financial Accounting Standards No. 131 (SFAS 131), Disclosures about Segments of an Enterprise and Related Information, requires the Company to disclose certain financial and descriptive information about certain segments of its business. Segments are defined as components of an enterprise for which discrete financial information is available that is evaluated regularly by the chief operating decision-maker, or a decision-making group, in deciding the allocation of resources and in assessing performance.

In late 2005 the Company announced a new operating structure to manage the business on a go-forward basis, post the ACH Transactions. During the three-month period ended March 31, 2006 the Company completed the realignment of its information systems and reporting structures to facilitate financial reporting for the new operating structure. Accordingly, segment disclosures have been updated to reflect the current operating structure and comparable prior period segment data has been revised.

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VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 18. Segment Information (Continued)

The Company s revised operating structure is comprised of the following: Climate, Electronics, Interiors and Other. These global product groups have financial and operating responsibility over the design, development and manufacture of the Company s product portfolio. Within each of the global product groups, certain facilities manufacture a broader range of the Company s total product line offering and are not limited to the primary product line. Regional customer groups are responsible for the marketing, sales and service of the Company s product portfolio to its customer base. Certain functions such as procurement, information technology and other administrative activities are managed on a global basis with regional deployment. In addition to these global product groups, the Company also operates Visteon Services, a centralized administrative function to monitor and facilitate transactions with ACH for the costs of leased employees and other services provided to ACH by the Company.

The Company s chief operating decision making group, comprised of the Chief Executive Officer (CEO), Chief Operating Officer (COO) and Chief Financial Officer (CFO), evaluates the performance of the Company s segments primarily based on net sales, before elimination of inter-company shipments, gross margin and operating assets. Gross margin is defined as total sales less costs to manufacture and product development and engineering expenses. Operating assets include inventories and property and equipment utilized in the manufacture of the segments products.

Overview of Segments

Climate: The Company s Climate product group includes facilities that primarily manufacture climate products including air handling modules, powertrain cooling modules, heat exchangers, compressors, fluid transport, and engine induction systems.

Electronics: The Company s Electronics product group includes facilities that primarily manufacture products including audio systems and components, infotainment, driver information, climate control electronics, powertrain controls and lighting.

Interiors: The Company s Interior product group includes facilities that primarily manufacture products including instrument panels, cockpit modules, door trim and floor consoles.

Other: The Company s Other product group includes facilities that primarily manufacture fuel products, chassis products, powertrain products, alternators and starters, as well as parts sold and distributed to the automotive aftermarket.

Services: The Company s Services operations supply leased personnel and transition services to ACH (manufacturing, engineering, and administrative support) as required by certain agreements entered into by the Company with ACH as a part of the ACH Transactions. Under the terms of these agreements, the Company is reimbursed for costs incurred in rendering services to ACH.

VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 18. Segment Information (Continued)

Net Sales, Gross Margin and Operating Assets:

A summary of net sales and gross margin by segment is provided below:

	Net Sales				Gross Margin			
	Three-Months Ended June 30		Six-Months Ended June 30		Three-Months Ended June 30		Six-Months Ended June 30	
	2006	2005	2006	2005	2006	2005	2006	2005
	(Dollars in Millions)							
Climate	$ 821	$ 773	$ 1,604	$ 1,491	$ 65	$ 69	$ 119	$ 132
Electronics	825	875	1,620	1,756	114	90	211	195
Interiors	722	822	1,432	1,665	23	4	42	19
Other	677	667	1,341	1,324	59	56	109	75
Eliminations	(182)	(265)	(318)	(569)				
Total products	2,863	2,872	5,679	5,667	261	219	481	421
Services	138		283		1		2	
Total segments	3,001	2,872	5,962	5,667	262	219	483	421
Reconciling Items								
ACH		2,131		4,323		24		(31)
Corporate					49		72	
Total consolidated	$ 3,001	$ 5,003	$ 5,962	$ 9,990	$ 311	$ 243	$ 555	$ 390

Inventories and property and equipment for reportable segments are as follows:

	Inventories		Property and Equipment, net	
	June 30 2006	December 31 2005	June 30 2006	December 31 2005
	(Dollars in Millions)			
Climate	$ 172	$ 143	$ 913	$ 858
Electronics	115	114	703	702
Interiors	60	63	449	425
Other	223	217	384	382
Total products	570	537	2,449	2,367
Services				

Total segments		570		537		2,449		2,367
Reconciling Items								
Corporate						580		606
Total consolidated	$	570	$	537	$	3,029	$	2,973

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VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 18. Segment Information (Continued)

Reconciling Items

Significant adjustments necessary to reconcile segment net sales, gross margin, inventories, net and property and equipment, net to the Company s consolidated amounts are described as follows:

ACH Represents the financial results for the facilities that were transferred to ACH on October 1, 2005.

Corporate Includes the Company s technical centers, corporate headquarters and other administrative and support functions.

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

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.

Executive Summary

Business Overview

Visteon Corporation is a leading global supplier of climate, interiors, electronics and other automotive systems, modules and components to vehicle manufacturers as well as the automotive aftermarket. The Company sells to the world s largest vehicle manufacturers including BMW, DaimlerChrysler, Ford, General Motors, Honda, Hyundai/Kia, Nissan, Peugeot, Renault, Toyota and Volkswagen.

The Company has a broad network of manufacturing, technical engineering and joint venture operations throughout the world, supported by approximately 47,000 employees dedicated to the design, development, manufacture and support of its product offering and its global customers, and conducts its business across five segments: Climate, Interiors, Electronics, Other and Services.

Visteon has embarked upon a multi-phase, multi-year plan to focus its business, improve its operating position and competitive profile and to ultimately achieve sustainable profitability. A significant milestone in this long-term plan was the successful completion of the ACH Transactions with Ford on October 1, 2005. Although the ACH Transactions resulted in a significant reduction in the Company s total sales (the business constituted approximately $6 billion in 2005 sales through the date of the transaction), this business was loss making and the Company s ability to improve profitability was significantly restricted given the inflexible operating arrangements. Further, pursuant to this transaction, the Company transferred all master Ford-UAW employees to ACH including full relief of approximately $2.2 billion of related postretirement employee obligations and received cash funding for future restructuring actions with the establishment of a $400 million escrow account funded by Ford under the terms of the Escrow Agreement.

In January 2006, the Company announced a three-year improvement program designed to further restructure the business and improve profitability. This improvement plan identified certain underperforming and non-strategic facilities that require significant restructuring or potential exit, as well as other infrastructure and cost reduction initiatives. This program is expected to have a cumulative cash cost of approximately $550 million, of which $400 million is expected to be reimbursed from the escrow account. The Company expects to record restructuring charges, and related reimbursement from the escrow account as available, as elements of the plan are finalized.

Highlights for the Three-Month Period Ended June 30, 2006

Financial highlights for the three-month period ended June 30, 2006 include:

- Net product sales were $2.9 billion, of which non-Ford customers accounted for 52%
- Gross margin of 10.4%, up from 4.9% in 2005
- SG&A of $194 million, lower than 2005 by $80 million
- Net income of $50 million or $0.39 per diluted share, compared to a net loss of $1,238 million or $9.85 per diluted share in 2005

The automotive industry remains challenging in North America and Europe, with continued market share pressures concentrated with U.S. vehicle manufacturers. While the ACH Transactions significantly reduced the Company s exposure to Ford s North America vehicle production, Ford remains an important customer, constituting 48% of the Company s product sales. Both Ford North America and Europe production volumes decreased year-over-year. Further, the Company has significant content on certain key Nissan vehicles produced for the North America market which also posted year-over-year production declines. These vehicle production declines, as well as unfavorable vehicle mix, pressured the Company s net sales and gross margin for the three-month period ended June 30, 2006. These pressures were offset by net sales increases associated with new business launches and continued growth in the Company s Asia Pacific operations.

Continued declines in Ford s vehicle production could materially affect the Company s operating results and the Company continues to work with other vehicle manufacturers to further its sales growth and diversification. During the three-month period ended June 30, 2006, the Company was awarded new programs across all of its product groups by Hyundai/ Kia, DaimlerChrylser, Nissan as well as Ford. In addition, the Company was awarded a new 2009 program for its radar based side awareness system by a North American OEM, formally commercializing this innovative technology developed within the Electronics product group. These new programs, coupled with a significant 2009 truck interior program awarded by DaimlerChrysler in the first quarter of 2006, will further diversify the Company s sales base in future years.

In May 2006, the Company completed its acquisition of a lighting facility in Mexico which supplies General Motors. The facility will be consolidated within the Electronics product group and will compliment the current product portfolio as well as provide a platform for future growth. In connection with the acquisition, the Company recorded an extraordinary gain of $8 million, net of tax.

During the three-month period ended June 30, 2006, the Company undertook financing activities to extend near-term debt maturities, including entering into a new seven-year $800 million secured term loan and the repurchase of $150 million of its 8.25% notes due in 2010. Also, the Company received financing commitments from banks to provide the Company with approximately $700 million in five-year revolving credits facilities for the U.S. and Europe.

During the three-month period ended June 30, 2006, the Company recorded $12 million of restructuring charges associated with its three-year improvement program for severance and related benefits associated with manufacturing facility actions in Europe and Mexico. These restructuring charges were offset by an equal amount of reimbursement from the escrow account. In addition, the Company recognized asset impairments of $22 million in the three-month period ended June 30, 2006 of which $10 million related to the restructuring activities undertaken in Europe and the remaining $12 million representing the Company s assessment of the carrying value of its investment in a Mexico joint venture. As of June 30, 2006, the Company has transferred approximately 1,000 salaried employees to Ford in connection with the acquisition of two ACH manufacturing facilities by Ford on January 1, 2006. During the three-month period ended June 30, 2006, the Company recognized a $49 million benefit related to the relief of postretirement employee benefits payable to Ford and the reduction in expected future service in Visteon sponsored health and life insurance plans and retirement plans for these transferred employees.

The Company continues to execute its long-term improvement program although no assurances can be provided that the results of these efforts will mitigate the negative industry trends currently being experienced.

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Results of Operations

Organization and Operating Structure

In late 2005 the Company announced a new operating structure to manage the business on a go-forward basis, post the ACH Transactions. During the three-month period ended March 31, 2006, the Company completed the accompanying realignment of information systems and reporting structures to facilitate financial reporting under the revised organizational structure. Accordingly, segment disclosures have been updated to reflect the revised operating structure and comparable prior period segment data has been revised. The Company s revised operating structure is comprised of the following: Climate, Electronics, Interiors, Services and Other. The Company s segments are disclosed in Note 18 Segment Information to the consolidated financial statements.

Three-Month Periods Ended June 30, 2006 and 2005

	Net Sales			Gross Margin		
	2006	2005	Change	2006	2005	Change
	(Dollars in Millions)					
Climate	$ 821	$ 773	$ 48	$ 65	$ 69	$ (4)
Electronics	825	875	(50)	114	90	24
Interiors	722	822	(100)	23	4	19
Other	677	667	10	59	56	3
Eliminations	(182)	(265)	83			
Total products	2,863	2,872	(9)	261	219	42
Services	138		138	1		1
Total segments	3,001	2,872	129	262	219	43
Reconciling Items						
ACH		2,131	(2,131)		24	(24)
Corporate				49		49
Total consolidated	$ 3,001	$ 5,003	$ (2,002)	$ 311	$ 243	$ 68

Net Sales

The Company s net sales were $3 billion in the three-month period ended June 30, 2006, compared with $5 billion in the three-month period ended June 30, 2005, representing a decrease of $2 billion or 40%. The ACH Transactions resulted in a decrease of $2.1 billion, which was partially offset by services revenues of $138 million. Excluding the ACH Transactions and related eliminations and revenue from services provided to ACH, product sales decreased by $92 million. This decrease reflects lower Ford North America vehicle production and unfavorable product mix, lower non-Ford vehicle production, principally Nissan North America, and customer price reductions, offset partially by new business and increased vehicle production in Asia Pacific. Currency favorably impacted sales by $6 million year-over-year.

Net sales for Climate were $821 million in the three-month period ended June 30, 2006, compared with $773 million in the three-month period ended June 30, 2005, representing an increase of $48 million or 6%. Continued growth in the Company s Asia Pacific consolidated subsidiaries increased net sales by $94 million. This growth was primarily driven by new business and higher Hyundai/ Kia vehicle production, and favorable currency of $14 million, offset partially by customer price reductions. Net sales in North America were $23 million lower year-over-year reflecting lower Ford North America vehicle production and unfavorable product mix. Sales in Europe were essentially flat year-over-year.

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Net sales for Electronics were $825 million in the three-month period ended June 30, 2006, compared with $875 million in the three-month period ended June 30, 2005, representing a decrease of $50 million or 6%. The decrease in net sales is attributable primarily to lower vehicle production and unfavorable product mix of $39 million. North America accounted for the majority of this decrease, reflecting lower Ford North America vehicle production and unfavorable product mix. Customer price reductions and unfavorable currency of $8 million, primarily in Europe, further reduced sales year-over-year.

Net sales for Interiors were $722 million in the three-month period ended June 30, 2006, compared with $822 million in the three-month period ended June 30, 2005, representing a decrease of $100 million or 12%. Vehicle production and product mix decreased net sales by $114 million, principally the result of lower Ford and Nissan vehicle production and adverse product mix in North America of $85 million and lower vehicle production by certain Europe OEM s of $51 million. Higher vehicle production and new business in Asia Pacific partially offset the sales declines in North America and Europe.

Net sales for Other were $677 million in the three-month period ended June 30, 2006, compared with $667 million in the three-month period ended June 30, 2005, representing an increase of $10 million. Vehicle production volume and product mix was flat year-over-year, with favorable currency of $8 million.

Services revenues were $138 million in the three-month period ended June 30, 2006, related to information technology, engineering, administrative and other business support services provided by the Company approximating cost, under the terms of various agreements with ACH.

Gross Margin

The Company s gross margin was $311 million in the three-month period ended June 30, 2006, compared with $243 million in the three-month period ended June 30, 2005, representing an increase of $68 million or 28%. The increase in gross margin is primarily attributable to the assumption by Ford of OPEB and pension liabilities of $49 million related to the transfer of certain Visteon salaried employees supporting two ACH manufacturing facilities that were transferred to Ford in January 2006, improved operating performance, lower depreciation and amortization expense of $23 million primarily reflecting the impact of the 2005 asset impairments, and net favorable customer settlements of $19 million. These factors were offset partially by the impact of the ACH Transactions of $24 million, lower vehicle production and unfavorable product mix of $20 million, and unfavorable currency of $13 million.

Gross margin for Climate was $65 million in the three-month period ended June 30, 2006, compared with $69 million in the three-month period ended June 30, 2005, representing a decrease of $4 million or 6%. Although net sales increased during the three-month period ended June 30, 2006, unfavorable customer and product mix resulted in a decrease in gross margin of $8 million. Manufacturing and material cost reduction activities, lower depreciation and amortization reflecting the impact of the 2005 asset impairments, and lower OPEB expenses increased gross margin by $24 million. This performance was offset partially by net customer price reductions and increases in raw material costs, principally aluminum, of $19 million. Unfavorable currency reduced gross margin by $1 million.

Gross margin for Electronics was $114 million in the three-month period ended June 30, 2006, compared with $90 million in the three-month period ended June 30, 2005, representing an increase of $24 million or 27%. Lower vehicle production and unfavorable product mix reduced gross margin by $14 million, primarily attributable to lower Ford North America vehicle production. Material and manufacturing cost reduction activities, lower depreciation and amortization reflecting the impact of the 2005 asset impairments, and lower OPEB expenses increased gross margin by $55 million. This performance was offset by net customer price reductions and increases in raw material costs of $10 million. Unfavorable currency reduced gross margin by $7 million.

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Gross margin for Interiors was $23 million in the three-month period ended June 30, 2006, compared with $4 million in the three-month period ended June 30, 2005, representing an increase of $19 million. Lower vehicle production volume and unfavorable product mix reduced gross margin by $3 million. Material and manufacturing cost reduction activities, lower depreciation and amortization reflecting the impact of the 2005 asset impairments, and lower OPEB expenses increased gross margin by $5 million. Gross margin further benefited from favorable customer settlements of $21 million. Unfavorable currency reduced gross margin by $4 million.

Gross margin for Other was $59 million in the three-month period ended June 30, 2006, compared with $56 million in the three-month period ended June 30, 2005, representing an increase of $3 million or 5%. Lower vehicle production volume offset by favorable product mix increased gross margin by $5 million. Material and manufacturing cost reduction activities, including negotiated labor concessions in Germany, lower depreciation and amortization reflecting the impact of the 2005 asset impairments, lower OPEB expenses and unfavorable currency decreased gross margin $2 million.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $194 million in the three-month period ended June 30, 2006, compared with $274 million in the three-month period ended June 30, 2005, representing a decrease of $80 million or 29%. Under the terms of various agreements between the Company and ACH, expenses previously classified as selling, general and administrative expenses incurred to support the business of ACH are now classified as Cost of sales in the consolidated financial statements, comprising $57 million of the decrease. Bad debt expense improved by $37 million year-over-year, primarily due to the bankruptcy of a significant customer in 2005. Expenses related to the Company s stock-based compensation and annual employee incentive programs, reflecting an increase in the Company s stock price and progress towards established 2006 financial objectives increased $13 million during the three-month period ended June 30, 2006 as compared to 2005.

Interest

For the three-month period ended June 30, 2006 net interest expense of $38 million was $7 million higher than the three-month period ended June 30, 2005. The increase was primarily attributable to higher average interest rates on outstanding debt of $12 million and recognition of unamortized debt issuance costs relating to credit facilities terminated in June 2006 of $4 million, partially offset by a gain on debt extinguishment of $8 million.

Asset Impairments

The Company recorded asset impairments of $22 million during the three-months ended June 30, 2006. In accordance with Statement of Financial Accounting Standards No. 144 (SFAS 144), Accounting for the Impairment or Disposal of Long-Lived Assets and in connection with restructuring activities undertaken at a European Interiors facility, the Company recorded an asset impairment of $10 million to reduce the net book value of certain long-lived assets to their estimated fair value. Additionally, in accordance with Accounting Principles Board Opinion No. 18, The Equity Method of Accounting for Investments in Common Stock, the Company determined that an other than temporary decline in the fair market value of an investment in a joint venture in Mexico occurred. Consequently, the Company reduced the carrying value of its investment by approximately $12 million to its estimated fair market value at June 30, 2006.

On May 24, 2005, the Company and Ford entered into a non-binding Memorandum of Understanding (MOU), setting forth a framework for the transfer of 23 North American facilities and related assets and liabilities (the Business) to a Ford-controlled entity. In September 2005, the Company and Ford entered into several definitive agreements and the Company completed the transfer of the Business to Automotive Component Holdings, LLC (ACH), an indirect, wholly-owned subsidiary of the Company.

Following the signing of the MOU and at June 30, 2005, the Company classified the manufacturing facilities and associated assets, including inventory, machinery, equipment and tooling to be sold as held for sale. The liabilities to be assumed or forgiven by Ford pursuant to the ACH Transactions, including employee liabilities and postretirement employee benefits payable to Ford were classified as liabilities associated with assets held for sale in the Company s consolidated balance sheet following the signing of the MOU. SFAS 144 requires long-lived assets that are considered held for sale to be measured at the lower of their carrying value or fair value less cost to sell and future depreciation of such assets is ceased. During the three-month period ended June 30, 2005, the Company s Automotive Operations segment recorded a non-cash impairment charge of $920 million to write-down those assets considered held for sale to their aggregate estimated fair value less cost to sell.

Additionally, during the three-month period ended June 30, 2005, the Automotive Operations segment recorded an impairment charge of $256 million to reduce the net book value of certain long-lived assets considered to be held for use to their estimated fair value. The impairment assessment was performed pursuant to impairment indicators including lower than anticipated current and near term future production volumes and the related impact on the Company s projected operating results and cash flows.

Restructuring Activities

On January 11, 2006, the Company announced a three-year improvement plan that involves certain underperforming and non-strategic plants and businesses and is designed to improve operating performance and achieve cost reductions. Activities associated with this plan are expected to affect up to 23 facilities with costs expected to include employee severance and termination benefit costs, contract termination costs, and production transfer costs.

The Company estimates that the total cash cost associated with this three-year improvement plan will be approximately $550 million, offset by $400 million of escrow account reimbursement. Generally, charges will be recorded as elements of the plan are finalized and the timing of activities and the amount of such costs are not likely to change. The cumulative costs incurred to date related to the three-year improvement plan are $58 million, including $36 million related to Other, $11 million related to Electronics, $6 million related to Interiors, and $5 million related to Climate.

During the three-month period ended June 30, 2006 the Company recorded $12 million of severance and other restructuring costs related to its three-year improvement plan. The most significant of the 2006 costs include the following:

Approximately $6 million of restructuring expenses related to the announced closure of a European Interiors manufacturing facility for employee severance and termination benefit costs for approximately 350 hourly and salaried employees.

Approximately $3 million in restructuring expenses related to the announced closure of a Climate manufacturing facility in Mexico for employee severance and termination benefit costs for approximately 150 hourly and salaried employees.

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Income Taxes

The provision for income taxes was $17 million for the three-month period ended June 30, 2006, compared with a benefit of $2 million in the same period in 2005. Income taxes during the three-month periods ended June 30, 2006 and 2005 included the impact of maintaining a valuation allowance against the Company s deferred tax assets in the U.S. and certain foreign countries. As a result, income tax benefits attributable to pre-tax losses incurred in the affected jurisdictions were not provided. The provisions for both the three-month periods ended June 30, 2006 and 2005 reflect income tax expense related to those countries where the Company is profitable and whose results continue to be tax-effected, accrued withholding taxes, and certain non-recurring and other discrete tax items. Non-recurring and other discrete items recorded in the three-month period ended June 30, 2006 included a $14 million benefit to restore net deferred tax assets associated with the Company s operations in Brazil. Included in the provision for income taxes for the three-month period ended June 30, 2005 was a benefit of $29 million, reflecting primarily a reduction in the Company s income tax reserves corresponding with the conclusion of U.S. Federal income tax audits for 2003, 2002 and certain pre-spin periods.

Six-Month Periods Ended June 30, 2006 and 2005

	Net Sales			Gross Margin		
	2006	**2005**	**Change**	**2006**	**2005**	**Change**
			(Dollars in Millions)			
Climate	$ 1,604	$ 1,491	$ 113	$ 119	$ 132	$ (13)
Electronics	1,620	1,756	(136)	211	195	16
Interiors	1,432	1,665	(233)	42	19	23
Other	1,341	1,324	17	109	75	34
Eliminations	(318)	(569)	251			
Total products	5,679	5,667	12	481	421	60
Services	283		283	2		2
Total segments	5,962	5,667	295	483	421	62
Reconciling Items						
ACH		4,323	(4,323)		(31)	31
Corporate				72		72
Total consolidated	$ 5,962	$ 9,990	$ (4,028)	$ 555	$ 390	$ 165

Net Sales

The Company s net sales were $6 billion the six-month period ended June 30, 2006, compared with $10 billion the same period of 2005, representing a decrease of $4 billion or 40%. The ACH Transactions resulted in a decrease of $4.3 billion, which was offset partially by services revenues of $283 million. Excluding the ACH Transactions and related eliminations, revenue from services provided to ACH and unfavorable currency of $128 million, product sales decreased by $111 million. Net sales declined reflecting lower Ford and Nissan vehicle production in North America and unfavorable product mix. Net sales increased in Asia Pacific and Europe reflecting new business and higher production volumes for Ford Europe and Asian OEMs. Net sales were also lower year-over-year reflecting net customer price reductions and settlements.

Net sales for Climate were $1.6 billion in the six-month period ended June 30, 2006, compared with $1.5 billion in the six-month period ended June 30, 2005, representing an increase of $113 million or 8%. Continued growth in the Company s Asia Pacific consolidated subsidiaries increased net sales by $195 million. This growth was primarily driven by new business and production volumes and favorable currency of $20 million partially offset by customer price reductions. Net sales in the North America region were $50 million lower year-over-year. This decrease reflects the launch of a new manufacturing facility in Alabama offset by lower Ford North America vehicle production and unfavorable product mix. Sales in Europe were essentially flat year-over-year.

Net sales for Electronics were $1.6 billion in the six-month period ended June 30, 2006, compared with $1.8 billion in the six-month period ended June 30, 2005, representing a decrease of $136 million or 8%. The decrease is attributable to unfavorable currency of $62 million, unfavorable volume and product mix of $58 million, and customer price reductions. The impact of volume and mix was predominantly in North America reflecting lower Ford North America vehicle production and unfavorable product mix.

Net sales for Interiors were $1.4 billion in the six-month period ended June 30, 2006, compared with $1.7 billion in the six-month period ended June 30, 2005, representing a decrease of $233 million or 14%. Vehicle volume and product mix was unfavorable $189 million. Lower Ford and Nissan vehicle production and unfavorable product mix reduced net sales in North America by $180 million; lower vehicle production volumes in Europe for certain customers decreased net sales by $41 million. Higher net sales in Asia Pacific from new business and higher vehicle production by Asian OEM s partially offset the declines in North America and Europe. Unfavorable currency decreased net sales by $55 million.

Net sales for Other were $1.3 billion in the six-month period ended June 30, 2006, compared with $1.3 billion in the six-month period ended June 30, 2005, representing an increase of $17 million. Vehicle volume and product mix and net customer pricing and settlements increased net sales by $21 million and $8 million, respectively. Unfavorable currency decreased net sales by $12 million. The impact of vehicle volume and product mix is predominately in Asia Pacific accounting for $22 million of higher sales, primarily attributable to new business.

Services revenues were $283 million in the six-month period ended June 30, 2006, related to information technology, engineering, administrative and other business support services provided by the Company approximating cost, under the terms of various agreements to ACH.

Gross Margin

The Company s gross margin was $555 million in the six-month period ended June 30, 2006, compared with $390 million in the six-month period ended June 30, 2005, representing an increase of $165 million or 42%. The increase in gross margin is primarily attributable to the assumption by Ford of OPEB and pension liabilities of $72 million related to the transfer of certain Visteon salaried employees supporting two ACH manufacturing facilities that were transferred to Ford in January 2006, the benefit of the ACH Transactions of $31 million, lower depreciation and amortization expense of $50 million primarily reflecting the impact of the 2005 asset impairments, and improved operating performance, partially offset by unfavorable vehicle production and mix of $61 million and unfavorable currency of $14 million.

Gross margin for Climate was $119 million in the six-month period ended June 30, 2006, compared with $132 million in the six-month period ended June 30, 2005, representing a decrease of $13 million or 10%. Although net sales increased during the period, unfavorable customer and product mix resulted in a decrease in gross margin of $15 million. Material and manufacturing cost reduction activities, lower depreciation and amortization expense reflecting the impact of the 2005 asset impairments, and lower OPEB expenses increased gross margin by $46 million. This performance was offset by net customer price reductions and increases in raw material costs, principally aluminum, of $41 million. Unfavorable currency reduced gross margin by $3 million.

Gross margin for Electronics was $211 million in the six-month period ended June 30, 2006, compared with $195 million in the six-month period ended June 30, 2005, representing an increase of $16 million or 8%. Vehicle production and product mix was unfavorable $53 million primarily in the North America and Europe region. Material and manufacturing cost reduction activities, lower depreciation and amortization expense reflecting the impact of the 2005 asset impairments, and lower OPEB expenses increased gross margin by $100 million. This performance was partially offset by net customer price reductions and increases in raw material costs of $24 million. Unfavorable currency reduced gross margin by $7 million.

Gross margin for Interiors was $42 million in the six-month period ended June 30, 2006, compared with $19 million in the six-month period ended June 30, 2005, representing an increase of $23 million. Vehicle volume and product mix was unfavorable $12 million, primarily in the Europe region. Material and manufacturing cost reduction activities lower depreciation and amortization expense reflecting the impact of the 2005 asset impairments and lower OPEB expenses increased gross margin $36 million. Favorable net customer pricing and settlements of $10 million were partially offset by increases in raw material costs and unfavorable currency of $11 million.

Gross margin for Other was $109 million in the six-month period ended June 30, 2006, compared with $75 million in the six-month period ended June 30, 2005, representing an increase of $34 million or 45%. Vehicle production and product mix was favorable by $19 million. Material and manufacturing cost reduction activities, including negotiated labor concessions in Germany, lower depreciation and amortization expense reflecting the impact of the 2005 asset impairments and lower OPEB expenses increased gross margin by $17 million. This performance was offset partially by increases in raw material costs and customer price reductions of $1 million. Unfavorable currency reduced gross margin by $1 million.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $362 million in the six-month period ended June 30, 2006, compared with $524 million in the six-month period ended June 30, 2005, representing a decrease of $162 million or 31%. Under the terms of various agreements between the Company and ACH, expenses previously classified as selling, general and administrative expenses incurred to support the business of ACH are now classified as Cost of sales in the consolidated financial statements, comprising $116 million of the decrease. Bad debt expense improved by $40 million year-over-year, primarily due to the bankruptcy of a significant customer in the second quarter of 2005. Expenses related to the Company s stock-based compensation and annual employee incentive programs, reflecting changes in the Company s stock price and progress towards established 2006 financial objectives, increased $10 million during the six-month period ended June 30, 2006 as compared to 2005. OPEB and pension expenses, net cost efficiencies, and currency comprised the remainder of lower selling, general and administrative expenses.

Interest

The six-month period ended June 30, 2006 net interest expense of $77 million was $17 million higher than the six-month period ended June 30, 2005. The increase was primarily attributable to higher average interest rates on outstanding debt of $22 million and recognition of unamortized debt issuance costs relating to credit facilities terminated in June 2006 of $4 million, offset partially by a gain on debt extinguishment of $8 million.

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Asset Impairments

The Company recorded asset impairments of $22 million during the six-months ended June 30, 2006. In accordance with Statement of Financial Accounting Standards No. 144 (SFAS 144), Accounting for the Impairment or Disposal of Long-Lived Assets and in connection with restructuring activities undertaken at a European Interiors facility, the Company recorded an asset impairment of $10 million to reduce the net book value of certain long-lived assets to their estimated fair value. Additionally, in accordance with Accounting Principles Board Opinion No. 18, The Equity Method of Accounting for Investments in Common Stock, the Company determined that an other than temporary decline in the fair market value of an investment in a joint venture in Mexico occurred. Consequently, the Company reduced the carrying value of its investment by approximately $12 million to its estimated fair market value at June 30, 2006.

On May 24, 2005, the Company and Ford entered into a non-binding Memorandum of Understanding (MOU), setting forth a framework for the transfer of 23 North American facilities and related assets and liabilities (the Business) to a Ford-controlled entity. In September 2005, the Company and Ford entered into several definitive agreements and the Company completed the transfer of the Business to Automotive Component Holdings, LLC (ACH), an indirect, wholly-owned subsidiary of the Company.

Following the signing of the MOU and at June 30, 2005, the Company classified the manufacturing facilities and associated assets, including inventory, machinery, equipment and tooling to be sold as held for sale. The liabilities to be assumed or forgiven by Ford pursuant to the ACH Transactions, including employee liabilities and postretirement employee benefits payable to Ford were classified as liabilities associated with assets held for sale in the Company s consolidated balance sheet following the signing of the MOU. SFAS 144 requires long-lived assets that are considered held for sale to be measured at the lower of their carrying value or fair value less cost to sell and future depreciation of such assets is ceased. During the three-month period ended June 30, 2005, the Company s Automotive Operations segment recorded a non-cash impairment charge of $920 million to write-down those assets considered held for sale to their aggregate estimated fair value less cost to sell.

Additionally, during the six-month period ended June 30, 2005, the Automotive Operations segment recorded an impairment charge of $256 million to reduce the net book value of certain long-lived assets considered to be held for use to their estimated fair value. The impairment assessment was performed pursuant to impairment indicators including lower than anticipated current and near term future production volumes and the related impact on the Company s projected operating results and cash flows.

Restructuring Activities

During the six-month period ended June 30, 2006, the Company recorded $21 million of severance and other restructuring costs compared with $7 million for the same period in 2005.

Significant actions in the six-month period ended June 30, 2006 include:

Approximately $6 million of restructuring expenses related to workforce reduction activities in Electronics facilities in Mexico and Portugal for employee severance and termination benefit costs for approximately 500 hourly and 50 salaried employees.

Approximately $6 million of restructuring expenses related to the announced closure of a European Interiors manufacturing facility for employee severance and termination benefits costs for approximately 350 hourly and salaried employees.

Approximately $3 million in restructuring expenses related to a Climate manufacturing facility in Mexico for employee severance and termination benefit costs associated with approximately 150 hourly and salaried employees.

Income Taxes

The provision for income taxes was $47 million for the six-month period ended June 30, 2006, compared with $20 million in the same period in 2005. Income taxes during the six-month period ended June 30, 2006 and 2005 included the impact of maintaining a valuation allowance against the Company s deferred tax assets in the U.S. and certain foreign countries. As a result, income tax benefits attributable to pre-tax losses incurred in the affected jurisdictions were not provided. The provisions for both the six-month periods ended June 30, 2006 and 2005, respectively, reflect primarily income tax expense related to those countries where the Company is profitable and whose results continue to be tax-effected, accrued withholding taxes, and certain non-recurring and other discrete tax items. Non-recurring and other discrete items recorded in the six-month period ended June 30, 2006 included a $14 million benefit to restore net deferred tax assets associated with the Company s operations in Brazil. Non-recurring and other discrete tax items recorded in the six-month period ended June 30, 2005 resulted in a net benefit of $37 million, including a net benefit related to adjustments to the Company s income tax reserves, and benefits related to a change in the estimated benefit associated with tax losses in Canada and the favorable resolution of tax matters in Mexico.

During the remaining quarters of 2006, the Company may undertake legal restructuring actions in Europe and Asia which would include an overall review of business plans in certain jurisdictions. Such review would include whether or not a portion of the past, current or future earnings of certain affiliates are permanently reinvested under Accounting Principles Board Opinion No. 23 Accounting for Income Taxes Special Areas. The Company s policy has been to provide deferred taxes for the net effect of repatriating earnings from consolidated foreign subsidiaries. If a determination is made to treat any such earnings as permanently reinvested, the Company would reduce the previously established accruals for withholding taxes and the deferred tax liability on the affected earnings, which could result in a one-time and/or ongoing reduction to income tax expense.

Liquidity and Capital Resources

Overview

The Company s cash and liquidity needs are impacted by the level, variability, and timing of its customers worldwide vehicle production, which varies based on economic conditions and market shares in major markets. The Company s intra-year needs are impacted by seasonal effects in the industry, such as the shutdown of operations in July and August, the subsequent ramp-up of new model production and the additional one-week shutdown in December by its primary customers. These seasonal effects normally require use of liquidity resources during the three-month period ended March 31 and the three-month period ended September 30. Further, as the Company s operating profitability has become more concentrated with its foreign subsidiaries and joint ventures, the majority of the Company s cash balances located outside the U.S. continue to increase. As of June 30, 2006 approximately 70% of the Company s cash balance is located in jurisdictions outside of the U.S. as compared to approximately 60% at December 31, 2005. The Company s ability to efficiently access cash balances in certain foreign jurisdictions is subject to local regulatory, statutory and contractual requirements.

Credit Ratings

Moody s current corporate rating of the Company is B2 and SGL rating is 3. The rating on senior unsecured debt is B3 with a negative outlook. S&P s current corporate rating of the Company is B+ and the Company s short term liquidity is B-2. The agency currently has a negative outlook on the rating. Fitch s current rating on the Company s senior secured debt is B with a stable outlook.

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Any further downgrade in the Company s credit ratings could reduce its access to capital, increase the costs of future borrowings, and increase the possibility of more restrictive terms and conditions contained in any new or replacement financing arrangements or commercial agreements or payment terms with suppliers.

Debt

On June 13, 2006, the Company entered into a credit agreement for the $800 million seven-year secured term loan. The Company borrowed the full $800 million upon closing and repaid approximately $650 million of existing borrowings and accrued interest on outstanding credit facilities. This borrowing bears interest at a LIBOR plus 3% and matures on June 13, 2013.

On June 13, 2006, the Company also amended its existing five year revolving credit facility to reduce the amount available for borrowings from $772 million to $500 million. The Company has also received financing commitments from certain banks to provide approximately $700 million in secured loan facilities to be divided between two five-year revolving credit facilities for the U.S. and Europe, which would replace the five year revolving credit agreement. The Company expects to complete the U.S. and Europe credit facilities in the third quarter of 2006.

Subsequent to closing on the seven-year term loan, the Company initiated open market purchases of its 8.25% interest bearing notes due August 1, 2010. The Company purchased $150 million of these notes at an all-in weighted cost of 94.16% of par, resulting in a gain on early extinguishment of approximately $8 million during the three-month period ended June 30, 2006.

The Company had $2,041 million of outstanding long-term debt at June 30, 2006. This debt includes $547 million of notes bearing interest at 8.25% due August 1, 2010, $431 million of notes bearing interest at 7.00% due March 10, 2014, $800 million under the seven-year term loan bearing interest at LIBOR + 3% due June 13, 2013, and $132 million of various other, primarily non-U.S. affiliate, long-term debt instruments with various maturities.

As of June 30, 2006, the Company had $403 million of available borrowings under the amended $500 million five-year revolving credit facility after a reduction for $97 million of obligations under letters of credit. In addition, as of June 30, 2006, the Company had approximately $607 million of available borrowings under other committed and uncommitted facilities.

Covenants and Restrictions

Subject to limited exceptions, each of the Company s direct and indirect, existing and future, domestic subsidiaries acts as guarantor under its primary credit agreement. The obligations under the credit agreement are secured by a first-priority lien on certain assets of the Company and most of its domestic subsidiaries, including intellectual property, intercompany debt, the capital stock of nearly all direct and indirect domestic subsidiaries, and 65% of the stock of certain first tier foreign subsidiaries, as well as a second-priority lien on substantially all other material tangible and intangible assets of the Company and most of its domestic subsidiaries. The terms relating to the credit agreements specifically limit the obligations to be secured by a security interest in certain U.S. manufacturing properties and intercompany indebtedness and capital stock of U.S. manufacturing subsidiaries in order to ensure that, at the time of any borrowing under the Credit Agreement and other credit lines, the amount of the applicable borrowing which is secured by such assets (together with other borrowings which are secured by such assets and obligations in respect of certain sale-leaseback transactions) do not exceed 15% of Consolidated Net Tangible Assets (as defined in the indenture applicable to the Company s outstanding bonds and debentures).

The credit agreement contains, among other things, mandatory prepayment provisions for certain asset sales, recovery events and debt incurrence, covenants, representations and warranties and events of default customary for facilities of this type. Such covenants include certain restrictions on the incurrence of additional indebtedness, liens, acquisitions and other investments, mergers, consolidations, liquidations and dissolutions, sales of assets, dividends and other repurchases in respect of capital stock, voluntary prepayments of certain other indebtedness, capital expenditures, transactions with affiliates, changes in fiscal periods, hedging arrangements, lines of business, negative pledge clauses, subsidiary distributions and the activities of certain holding company subsidiaries, subject to certain exceptions.

The Company s five year revolving credit agreement currently contains a covenant not to exceed a certain leverage ratio of consolidated total debt to consolidated EBITDA (as defined in the Credit Agreements) of 4.75 for the three-month periods ending December 31, 2005 and March 31, 2006; 5.25 for the three-month period ending June 30, 2006; 4.25 for the three-month period ending September 30, 2006; 3.00 for the three-month period ending December 31, 2006; 2.75 for the three-month period ending March 31, 2007; and 2.50 thereafter. The ability of the Company s subsidiaries to transfer assets is subject to various restrictions, including regulatory, governmental and contractual restraints.

At June 30, 2006, the Company was in compliance with applicable covenants and restrictions, as amended, although there can be no assurance that the Company will remain in compliance with such covenants in the future. If the Company was to violate a covenant and not obtain a waiver, the credit agreements could be terminated and amounts outstanding would be accelerated. The Company can provide no assurance that, in such event, that it would have access to sufficient liquidity resources to repay such amounts.

Cash Flows

Operating Activities

Cash provided from operating activities during the six-month period ended June 30, 2006 totaled $76 million, compared with $505 million during the six-month period ended June 30, 2005. The decrease is largely attributable to non-recurrence of the March 2005 funding agreement with Ford and subsequent amendment (which in total accelerated payment terms from 33 days to 18 days in 2005) and decreased utilization of receivables-based programs, offset partially by improved working capital.

Investing Activities

Cash used by investing activities was $172 million during the six-month period ended June 30, 2006, compared with $258 million for the six-month period ended June 30, 2005. The Company s capital expenditures, excluding capital leases, in the six-month period ended June 30, 2006 totaled $183 million, compared with $277 million during the six-month period ended June 30, 2005, reflecting the non-recurrence of 2005 ACH capital spending and the Company s continued focus on capital spending management. During the six-month period ended June 30, 2006, proceeds from asset disposals were $11 million.

Financing Activities

Cash provided from financing activities totaled $43 million in the six-month period ended June 30, 2006, compared with a use of $155 million for the six-month period ended June 30, 2005. Cash proceeds in 2006 primarily resulted from the draw on the Company s $800 million seven-year term loan due June 13, 2013, partially offset by repayment of $347 million on the Company s revolving credit facility, repayment and termination of the Company s $241 million five-year term loan due June 25, 2007, and repurchase of $150 million of its outstanding 8.25% interest bearing notes due August 1, 2010. In connection with the draw on the Company s $800 million seven-year term loan, the Company repaid and terminated its $350 million 18-month term loan issued in January. Cash used in 2005 primarily reflects the termination of the General Electric Capital Corporation trade payables program and reductions in other consolidated subsidiary debt.

New Accounting Standards

In July 2006, the Financial Accounting Standards Board (FASB) reaffirmed its decision to make the recognition provisions of its proposed standard, Employers Accounting for Defined Benefit Pension Plans and Other Postretirement Benefits, an amendment of FASB Statements No. 87, 88, 106 and 132(R), effective for public companies with fiscal years ending after December 15, 2006. Accordingly, the Company anticipates adoption of the new standard when issued during the latter half of 2006. The impact of this pronouncement is contingent upon the requirements of the final pronouncement as well as certain market conditions at the time of adoption. However, while adoption could have a material impact on the Company s consolidated financial position, it is not expected to impact the Company s consolidated results of operations or cash flows.

In June 2006, the FASB issued Financial Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes an interpretation of Statement of Financial Accounting Standards No. 109 (SFAS 109), Accounting for Income Taxes. This Interpretation clarifies the accounting for income taxes recognized in accordance with SFAS 109 with respect to recognition and measurement for tax positions that are taken or expected to be taken in a tax return. FIN 48 is effective on January 1, 2007 and the Company is currently evaluating the impact of this pronouncement on its consolidated financial statements.

In March 2006, the FASB issued Statement of Financial Accounting Standards No. 156 (SFAS 156), Accounting for Servicing of Financial Assets. This statement amends Statement of Financial Accounting Standards No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities with respect to the accounting for separately recognized servicing assets and servicing liabilities. SFAS 156 is effective on January 1, 2007 and the Company is currently evaluating the impact on its consolidated financial statements.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (Revised 2004) (SFAS 123(R)), Share-Based Payments. This statement requires that all share-based payments to employees be recognized in the financial statements based on their estimated fair value. SFAS 123(R) was adopted by the Company effective January 1, 2006 using the modified-prospective method. In accordance with the modified-prospective method, the Company s consolidated financial statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123(R). Under the modified-prospective method, compensation cost includes:

Share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the fair value estimated in accordance with the original provisions of Statement of Financial Accounting Standards No. 123, (SFAS 123) Accounting for Stock-Based Compensation.

Share-based payments granted subsequent to January 1, 2006, based on the fair value estimated in accordance with the provisions of SFAS 123(R).

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The cumulative effect, net of tax, of adoption of SFAS 123(R) was $4 million or $0.03 per share as of January 1, 2006. The Company recorded $5 million or $0.04 per share and $11 million or $0.09 per share of incremental compensation expense during the three and six-month periods ended June 30, 2006, respectively, under SFAS 123(R) when compared to the amount that would have been recorded under SFAS 123. Additional disclosures required by SFAS 123(R) regarding the Company s stock-based compensation plans and related accounting are provided in Note 4 Stock-Based Compensation to the consolidated financial statements.

Prior to the adoption of SFAS 123(R), the Company had valued its stock appreciation rights based upon the intrinsic value of the Company s common stock at the end of each reporting period. With the adoption of SFAS 123(R), stock appreciation rights are valued at fair market value through the use of a Black Scholes option pricing model. As of June 30, 2006, unrecognized compensation cost related to non-vested options, SARs, RSAs and RSUs was $4 million, $13 million, $1 million, and $24 million, respectively, and is expected to be recognized over a weighted average period of approximately 2 years, 2 years, 3 years, and 2 years, respectively. Additional disclosures as required by SFAS 123(R) are included in Note 4 Stock-Based Compensation to the consolidated financial statements.

Prior to the adoption of SFAS 123(R) and effective January 1, 2003 the Company began expensing the fair value of stock-based awards granted to employees pursuant to SFAS 123. This standard was adopted on the 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, the Company measured compensation cost using the intrinsic value method of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees as permitted by SFAS 123. If compensation cost for all stock-based awards had been determined based on the estimated fair value of stock options and the fair value at the date of grant for restricted stock awards, in accordance with the provisions of SFAS 123, the Company s reported net loss and net loss per share would have changed to the pro forma amounts indicated below:

	Three-Months Ended June 30, 2005	Six-Months Ended June 30, 2005
	(Dollars in Millions, Except Per Share Amounts)	
Net loss, as reported	$ (1,238)	$ (1,401)
Add: Stock-based employee compensation expense included in reported net loss, net of related tax effects	5	7
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(5)	(8)
Pro forma net loss	$ (1,238)	$ (1,402)
Net loss per share:		
As reported:		
Basic and diluted	$ (9.85)	$ (11.15)
Pro forma:		
Basic and diluted	$ (9.85)	$ (11.16)

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In November 2004, the FASB issued Statement of Financial Accounting Standards No. 151 (SFAS 151), Inventory Costs an amendment of ARB No. 43, Chapter 4. This statement clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). This Statement requires that those items be recognized as current period charges regardless of whether they meet the criterion of so abnormal. In addition, this Statement requires that allocation of fixed production overhead to the costs of conversion be based on the normal capacity of the production facilities. SFAS 151 was adopted by the Company effective from January 1, 2006 and did not have a material effect on its consolidated results of operations, financial position or cash flows.

Cautionary Statements Regarding Forward-Looking Information

Certain statements contained or incorporated in this Quarterly Report on Form 10-Q which are not statements of historical fact constitute Forward-Looking Statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the Reform Act). Forward-looking statements give current expectations or forecasts of future events. Words such as anticipate , expect , intend , plan , believe , seek , estimate and other words and terms of simila connection with discussions of future operating or financial performance signify forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and estimates, which are subject to risks and uncertainties including those discussed in Item 1A under the heading Risk Factors in the Company s Annual Report on Form 10-K for fiscal year 2005 and elsewhere in this report. Accordingly, the reader should not place undue reliance on these forward-looking statements. Also, these forward-looking statements represent the Company s estimates and assumptions only as of the date of this report. The Company does not intend to update any of these forward-looking statements to reflect circumstances or events that occur after the statement is made. The Company qualifies all of its forward-looking statements by these cautionary statements.

The reader should understand that various factors, in addition to those discussed elsewhere in this document, could affect the Company s future results and could cause results to differ materially from those expressed in such forward-looking statements, including:

Visteon s ability to satisfy its future capital and liquidity requirements; Visteon s ability to access the credit and capital markets at the times and in the amounts needed and on terms acceptable to Visteon, which is influenced by Visteon s credit ratings (which have declined in the past and could decline further in the future); Visteon s ability to comply with financial covenants applicable to it; and the continuation of acceptable supplier payment terms.

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.

Visteon s ability to access funds generated by its foreign subsidiaries and joint ventures on a timely and cost effective basis.

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

Changes in vehicle production volume of our customers in the markets where we operate, and in particular changes in Ford s North American and European vehicle production volumes and platform mix.

Visteon s ability to profitably win new business from customers other than Ford and to maintain current business with, and win future business from, Ford, and, Visteon s ability to realize expected sales and profits from new business.

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Increases in costs or disruptions in the supply of commodities, including steel, resins, aluminum, copper, fuel and natural gas.

Visteon s ability to generate cost savings to offset or exceed agreed upon price reductions or price reductions to win additional business and, in general, improve its operating performance; to achieve the benefits of its restructuring actions; and to recover engineering and tooling costs.

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

The costs and timing of facility closures or dispositions, business or product realignments, or similar restructuring actions, including potential impairment or other charges related to the implementation of these actions or other adverse industry conditions and contingent liabilities.

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.

Legal and administrative proceedings, investigations and claims, including shareholder class actions, SEC inquiries, 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.

Visteon s ability to provide various employee and transition services to ACH in accordance with the terms of existing agreements between the parties, as well as Visteon s ability to recover the costs of such services.

Visteon s ability to quickly and adequately remediate material weaknesses and other control deficiencies in its internal control over financial reporting.

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

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Other Financial Information

PricewaterhouseCoopers LLP, an independent registered public accounting firm, performed a limited review of the financial data presented on page 3 through 31 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 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risks from changes in currency exchange rates, interest rates and certain commodity prices. To manage these risks, the Company uses a combination of fixed price contracts with suppliers, cost sourcing arrangements with customers and financial derivatives. The Company maintains 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

The Company 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. The Company s on-going solution is to reduce the exposure through operating actions.

The Company s primary foreign exchange operating exposures include the euro, Korean won, Czech koruna and Mexican peso. Because of the mix between the Company s costs and revenues in various regions, operating results are exposed generally to weakening of the euro and to strengthening of the Korean won, Czech koruna and Mexican peso. For transactions in these currencies, the Company utilizes a strategy of partial coverage. As of June 30, 2006, the Company s coverage for projected transactions in these currencies was approximately 56% for 2006.

As of June 30, 2006 and December 31, 2005, the net fair value of foreign currency forward and option contracts was a liability of $13 million and an asset of $9 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 $63 million and $62 million as of June 30, 2006 and December 31, 2005, 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 the Company s financial derivatives. It is also important to note that gains and losses indicated in the sensitivity analysis would generally be offset by gains and losses on the underlying exposures being hedged.

Interest Rate Risk

The Company uses interest rate swaps to manage interest rate risk. These swaps effectively convert a portion of the Company s fixed rate debt into variable rate debt. Including the effect of $350 million of interest rate swaps, approximately 37% and 45% of the Company s borrowings were effectively on a fixed rate basis as of June 30, 2006 and December 31, 2005, respectively.

As of June 30, 2006 and December 31, 2005, the net fair value of interest rate swaps was a liability of $29 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 $8 million and $10 million as of June 30, 2006 and December 31, 2005, respectively. The annual increase in pre-tax interest expense from a hypothetical 50 basis point adverse change in variable interest rates (including the impact of interest rate swaps) would be approximately $6 million as of June 30, 2006 and December 31, 2005. This analysis may overstate the adverse impact on net interest expense because of the short-term nature of the Company s interest bearing investments.

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Commodity Risk

The Company s exposure to market risks from changes in the price of commodities including steel products, plastic resins, aluminum, natural gas and diesel fuel are not hedged due to a lack of acceptable hedging instruments in the market. The Company s exposures to price changes in such commodities are attempted to be addressed through negotiations with the Company s suppliers and customers, although there can be no assurance that the Company will not have to absorb any or all price increases and/or surcharges. When and if acceptable hedging instruments are available in the market, management will determine at that time if financial hedging is appropriate, depending upon the Company s exposure level at that time, the effectiveness of the financial hedge and other factors.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports the Company files with the SEC under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to the Company s management, including its CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

The Company s management carried out an evaluation, under the supervision and with the participation of the CEO and the CFO, of the effectiveness of the design and operation of the Company s disclosure controls and procedures as of June 30, 2006. Based upon that evaluation, the CEO and CFO concluded that the Company s disclosure controls and procedures were not effective because of the existence of a material weakness in the Company s internal control over financial reporting as discussed below. Notwithstanding the material weakness, management has concluded that the consolidated financial statements included in this Quarterly Report on Form 10-Q fairly state, in all material respects, the Company s financial position, results of operations and cash flows for the periods presented in conformity accounting principles generally accepted in the United States of America.

In the Company s 2005 Annual Report on Form 10-K, management concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2005 because of the existence of a material weakness in the Company s internal control over financial reporting relating to ineffective controls over the complete and accurate recording of freight, raw material and other supplier costs and related period-end accruals and payables originating in its North American purchasing function. This material weakness continued to exist as of June 30, 2006.

Remediation Efforts to Address Material Weakness in Internal Control over Financial Reporting

During the third and fourth quarter of 2005, the Company implemented additional controls to identify potential liabilities related to activities with its North American suppliers, and to ensure that costs are recorded in the correct period and that related period-end accruals and payables are complete and accurate. These controls included the implementation of policies and procedures to identify, assess and account for supplier activities and contracts and to estimate and record costs as incurred. Further, additional procedures have been implemented to ensure that period-end accruals and payables are complete and accurate. The Company continues to monitor and test the operating effectiveness of these controls.

Changes in Internal Control over Financial Reporting

There were no changes in the Company s internal control over financial reporting during the three-month period ended June 30, 2006 that have materially effected, or are reasonably likely to materially effect, the Company s internal control over financial reporting.

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PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See the information above under Note 17, Commitments and Contingencies, to the consolidated financial statements which is incorporated herein by reference.

ITEM 1A. RISK FACTORS

For information regarding factors that could affect the Company s results of operations, financial condition and liquidity, see the risk factors discussed in Part I, Item 1A. Risk Factors in the Company s Annual Report on Form 10-K for the year ended December 31, 2005. See also, Cautionary Statements Regarding Forward-Looking Information included in Part I, Item 2 of this Quarterly Report on Form 10-Q.

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

The Annual Meeting of Stockholders was held on May 10, 2006. At the meeting, the following matters were submitted to a vote of the stockholders:

(1) The election of two directors to serve for a three-year term beginning at the 2006 annual meeting of stockholders and expiring at the 2009 annual meeting of stockholders.

Nominee	For	Withheld
Charles L. Schaffer	89,906,769	20,425,983
Kenneth B. Woodrow	89,957,847	20,734,905

(2) The ratification of the appointment of PricewaterhouseCoopers LLP as Visteon s independent registered public accounting firm for fiscal year 2006.

For	Against	Abstain	Broker Non-Votes
100,922,897	9,232,327	177,528	N/A

(3) The approval of amendments to the Visteon Corporation 2004 Incentive Plan.

For	Against	Abstain	Broker Non-Votes
50,464,922	23,780,831	9,410,873	26,676,126

(4) The approval of amendments to the Visteon Corporation Non-Employee Director Stock Unit Plan.

For	Against	Abstain	Broker Non-Votes
59,616,858	23,593,225	446,543	26,676,126

(5) A shareholder proposal relating to the annual election of directors.

For	Against	Abstain	Broker Non-Votes
69,896,777	13,203,913	555,936	26,676,126

ITEM 6. EXHIBITS

(a) Exhibits

Please refer to the Exhibit Index on Page 55.

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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: August 8, 2006

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.
4.4	Form of Warrant Certificate of Visteon is incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K of Visteon dated September 16, 2005.
4.5	Form of Stockholder Agreement, dated as of October 1, 2005, between Visteon and Ford Motor Company (Ford) is incorporated herein by reference to Exhibit 4.2 to the Current Report on Form 8-K of Visteon dated September 16, 2005.
4.6	Term sheet dated July 31, 2000 establishing the terms of Visteon s 8.25% Notes due August 1, 2010, is incorporated herein by reference to Exhibit 4.2 to the Current Report on Form 8-K of Visteon dated August 16, 2000.
10.1	Master Transfer Agreement dated as of March 30, 2000 between Visteon and 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	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).
10.3	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.
10.3.1	Amendment Number Two, effective as of October 1, 2005, to Amended and Restated Employee Transition Agreement, dated as of April 1, 2000 and restated as of December 19, 2003, between Visteon and Ford is incorporated herein by reference to Exhibit 10.15 to the Current Report on Form 8-K of Visteon dated October 6, 2005.
10.4	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).
10.5	Visteon Corporation 2004 Incentive Plan, as amended and restated, is incorporated herein by reference to Appendix C to the Proxy Statement of Visteon dated March 30, 2006.*
10.5.1	

Form of Terms and Conditions of Nonqualified Stock Options is incorporated herein by reference to Exhibit 10.9.1 to the Quarterly Report on Form 10-Q of Visteon dated November 4, 2004.*

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Exhibit Number	Exhibit Name
10.5.2	Form of Terms and Conditions of Restricted Stock Grants is incorporated herein by reference to Exhibit 10.9.2 to the Quarterly Report on Form 10-Q of Visteon dated November 4, 2004.*
10.5.3	Form of Terms and Conditions of Restricted Stock Units is incorporated herein by reference to Exhibit 10.9.3 to the Quarterly Report on Form 10-Q of Visteon dated November 4, 2004.*
10.5.4	Form of Terms and Conditions of Stock Appreciation Rights is incorporated herein by reference to Exhibit 10.9.4 to the Quarterly Report on Form 10-Q of Visteon dated November 4, 2004.*
10.6	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.*
10.6.1	Schedule identifying substantially identical agreements to Revised Change in Control Agreement constituting Exhibit 10.6 hereto entered into by Visteon with Messrs. Johnston, Stebbins, Palmer, Donofrio, Kill, Marcin and Pallash and Mses. Buckingham and Stevenson.*
10.7	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.*
10.7.1	Amendments to the Visteon Corporation Deferred Compensation Plan for Non-Employee Directors, effective as of December 14, 2005 is incorporated herein by reference to Exhibit 10.14.1 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2005.*
10.8	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.*
10.8.1	Amendments to the Visteon Corporation Restricted Stock Plan for Non-Employee Directors, effective as of January 1, 2005 is incorporated herein by reference to Exhibit 10.15.1 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2005.*
10.8.2	Amendment to the Visteon Corporation Restricted Stock Plan for Non-Employee Directors, effective as of May 10, 2006, is incorporated herein by reference to Exhibit 10.3 to the Current Report on Form 8-K of Visteon dated May 12, 2006.*
10.9	Visteon Corporation Deferred Compensation Plan, as amended, is incorporated herein by reference to Exhibit 10.16 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2002.*
10.9.1	Amendments to the Visteon Corporation Deferred Compensation Plan, effective as of December 23, 2005 is incorporated herein by reference to Exhibit 10.16.1 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2005.*
10.10	Employment Agreement dated as of December 7, 2004 between Visteon and William G. Quigley III is incorporated herein by reference to Exhibit 10.17 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2005.*
10.11	Visteon Corporation Pension Parity Plan, as amended through February 9, 2005, is incorporated herein by reference to Exhibit 10.4 to the Current Report on Form 8-K of Visteon dated February 15, 2005.*

10.11.1	Amendments to the Visteon Corporation Pension Parity Plan, effective as of January 1, 2005 is incorporated herein by reference to Exhibit 10.18.1 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2005.*

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Exhibit Number	Exhibit Name
10.12	Visteon Corporation Supplemental Executive Retirement Plan, as amended through February 9, 2005, is incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K of Visteon dated February 15, 2005.*
10.12.1	Amendments to the Visteon Corporation Supplemental Executive Retirement Plan, effective as of January 1, 2005 is incorporated herein by reference to Exhibit 10.19.1 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2005.*
10.12.2	Amendments to the Visteon Corporation Supplemental Executive Retirement Plan, effective as of June 30, 2006, is incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of Visteon dated June 19, 2006.*
10.13	Executive Employment Agreement dated as of September 15, 2000 between Visteon and Michael F. Johnston is incorporated herein by reference to Exhibit 10.20 to the Annual Report on Form 10-K for the period ended December 31, 2001.*
10.14	Service Agreement dated as of November 1, 2001 between Visteon International Business Development, Inc., a wholly-owned subsidiary of Visteon, and Dr. Heinz Pfannschmidt is incorporated herein by reference to Exhibit 10.21 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2002.*
10.15	Visteon Corporation Executive Separation Allowance Plan, as amended through February 9, 2005, is incorporated herein by reference to Exhibit 10.3 to the Current Report on Form 8-K of Visteon dated February 15, 2005.*
10.15.1	Amendments to the Visteon Corporation Executive Separation Allowance Plan, effective as of January 1, 2005 is incorporated herein by reference to Exhibit 10.22.1 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2005.*
10.16	Trust Agreement dated as of February 7, 2003 between Visteon and The Northern Trust Company establishing a grantor trust for purposes of paying amounts to certain directors and executive officers under the plans constituting Exhibits 10.6, 10.7, 10.7.1, 10.9, 10.9.1, 10.11, 10.11.1, 10.12, 10.12.1, 10.12.2, 10.15 and 10.15.1 hereto is incorporated herein by reference to Exhibit 10.23 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2002.*
10.17	Second Amended and Restated Credit Agreement, dated as of January 9, 2006, among Visteon, the several banks and other financial institutions or entities from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and Citicorp USA, Inc., as syndication agent, is incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of Visteon dated January 13, 2006.
10.17.1	First Amendment and Waiver, dated as of June 13, 2006, to the Second Amended and Restated Credit Agreement, dated as of January 9, 2006, among Visteon Corporation, the several banks and other financial institutions or entities from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and Citicorp USA, Inc., as syndication agent, is incorporated herein by reference to Exhibit 10.3 to the Current Report on Form 8-K of Visteon dated June 19, 2006.
10.18	Credit Agreement, dated as of June 13, 2006, among Visteon Corporation, the several banks and other financial institutions or entities from time to time party thereto, Credit Suisse Securities (USA) LLC and Sumitomo Mitsui Banking Corporation, as co-documentation agents, Citicorp USA, Inc., as syndication agent, and JPMorgan Chase Bank, N.A., as administrative agent, is incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K of Visteon dated June 19, 2006.

10.19	Pension Plan Agreement effective as of November 1, 2001 between Visteon Holdings GmbH, a wholly-owned subsidiary of Visteon, and Dr. Heinz Pfannschmidt is incorporated herein by reference to Exhibit 10.27 to the Quarterly Report on Form 10-Q of Visteon dated May 7, 2003.*

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Exhibit Number	Exhibit Name
10.20	Hourly Employee Conversion Agreement dated as of December 22, 2003 between Visteon and Ford is incorporated herein by reference to Exhibit 10.28 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2003.
10.21	Letter Agreement, effective as of May 23, 2005, between Visteon and Mr. Donald J. Stebbins is incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of Visteon dated May 23, 2005.*
10.22	Visteon Corporation Non-Employee Director Stock Unit Plan is incorporated herein by reference to Appendix D to the Proxy Statement of Visteon dated March 30, 2006.*
10.23	Employment Agreement dated as of June 2, 2004 between Visteon and James F. Palmer is incorporated herein by reference to Exhibit 10.31 to the Quarterly Report on Form 10-Q of Visteon dated July 30, 2004.*
10.24	Visteon Executive Severance Plan is incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of Visteon dated February 15, 2005.*
10.25	Form of Executive Retiree Health Care Agreement is incorporated herein by reference to Exhibit 10.28 to the Current Report on Form 8-K of Visteon dated December 9, 2004.*
10.25.1	Schedule identifying substantially identical agreements to Executive Retiree Health Care Agreement constituting Exhibit 10.25 hereto entered into by Visteon with Messrs. Johnston, Stebbins and Palmer and Ms. D. Stevenson.*
10.26	Contribution Agreement, dated as of September 12, 2005, between Visteon and VHF Holdings, Inc. is incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K of Visteon dated September 16, 2005.
10.27	Visteon A Transaction Agreement, dated as of September 12, 2005, between Visteon and Ford is incorporated herein by reference to Exhibit 10.3 to the Current Report on Form 8-K of Visteon dated September 16, 2005.
10.28	Visteon B Purchase Agreement, dated as of September 12, 2005, between Visteon and Ford is incorporated herein by reference to Exhibit 10.4 to the Current Report on Form 8-K of Visteon dated September 16, 2005.
10.29	Escrow Agreement, dated as of October 1, 2005, among Visteon, Ford and Deutsche Bank Trust Company Americas, as escrow agent, is incorporated herein by reference to Exhibit 10.11 to the Current Report on Form 8-K of Visteon dated October 6, 2005.
10.30	Reimbursement Agreement, dated as of October 1, 2005, between Visteon and Ford is incorporated herein by reference to Exhibit 10.12 to the Current Report on Form 8-K of Visteon dated October 6, 2005.
10.31	Master Services Agreement, dated as of September 30, 2005, between Visteon and Automotive Components Holdings, LLC is incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of Visteon dated October 6, 2005.
10.32	Visteon Hourly Employee Lease Agreement, effective as of October 1, 2005, between Visteon and Automotive Components Holdings, LLC is incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K of Visteon dated October 6, 2005.
10.33	Visteon Hourly Employee Conversion Agreement, dated effective as of October 1, 2005, between Visteon and Ford is incorporated herein by reference to Exhibit 10.9 to the Current Report on Form 8-K of Visteon dated October 6, 2005.
10.34	Visteon Salaried Employee Lease Agreement, effective as of October 1, 2005, between Visteon and Automotive Components Holdings, LLC is incorporated herein by reference to Exhibit 10.3 to the Current Report on Form 8-K of Visteon dated October 6, 2005.

Exhibit Number	Exhibit Name
10.34.1	Amendment to Salaried Employee Lease Agreement and Payment Acceleration Agreement, dated as of March 30, 2006, among Visteon, Ford Motor Company and Automotive Components Holdings, LLC is incorporated herein by reference to Exhibit 10.46.1 to the Quarterly Report on Form 10-Q of Visteon dated May 10, 2006.
10.35	Visteon Salaried Employee Lease Agreement (Rawsonville/ Sterling), dated as of October 1, 2005, between Visteon and Ford is incorporated herein by reference to Exhibit 10.8 to the Current Report on Form 8-K of Visteon dated October 6, 2005.
10.36	Visteon Salaried Employee Transition Agreement, dated effective as of October 1, 2005, between Visteon and Ford is incorporated herein by reference to Exhibit 10.10 to the Current Report on Form 8-K of Visteon dated October 6, 2005.
10.36.1	Amendment Number One to Visteon Salaried Employee Transition Agreement, effective as of March 1, 2006, between Visteon and Ford.
10.37	Purchase and Supply Agreement, dated as of September 30, 2005, between Visteon (as seller) and Automotive Components Holdings, LLC (as buyer) is incorporated herein by reference to Exhibit 10.4 to the Current Report on Form 8-K of Visteon dated October 6, 2005.
10.38	Purchase and Supply Agreement, dated as of September 30, 2005, between Automotive Components Holdings, LLC (as seller) and Visteon (as buyer) is incorporated herein by reference to Exhibit 10.5 to the Current Report on Form 8-K of Visteon dated October 6, 2005.
10.39	Purchase and Supply Agreement, dated as of October 1, 2005, between Visteon (as seller) and Ford (as buyer) is incorporated herein by reference to Exhibit 10.13 to the Current Report on Form 8-K of Visteon dated October 6, 2005.
10.40	Intellectual Property Contribution Agreement, dated as of September 30, 2005, among Visteon, Visteon Global Technologies, Inc., Automotive Components Holdings, Inc. and Automotive Components Holdings, LLC is incorporated herein by reference to Exhibit 10.6 to the Current Report on Form 8-K of Visteon dated October 6, 2005.
10.41	Software License and Contribution Agreement, dated as of September 30, 2005, among Visteon, Visteon Global Technologies, Inc. and Automotive Components Holdings, Inc. is incorporated herein by reference to Exhibit 10.7 to the Current Report on Form 8-K of Visteon dated October 6, 2005.
10.42	Intellectual Property License Agreement, dated as of October 1, 2005, among Visteon, Visteon Global Technologies, Inc. and Ford is incorporated herein by reference to Exhibit 10.14 to the Current Report on Form 8-K of Visteon dated October 6, 2005.
10.43	Master Agreement, dated as of September 12, 2005, between Visteon and Ford is incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of Visteon dated September 16, 2005.
12.1	Statement re: Computation of Ratios.
14.1	Visteon Corporation Ethics and Integrity Policy, as amended effective September 23, 2005 (code of business conduct and ethics) is incorporated herein by reference to Exhibit 14.1 to the Current Report on Form 8-K of Visteon dated September 28, 2005.
15.1	Letter of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm, dated August 8, 2006 relating to Financial Information.
31.1	Rule 13a-14(a) Certification of Chief Executive Officer dated August 8, 2006.

31.2	Rule 13a-14(a) Certification of Chief Financial Officer dated August 8, 2006.
32.1	Section 1350 Certification of Chief Executive Officer dated August 8, 2006.
32.2	Section 1350 Certification of Chief Financial Officer dated August 8, 2006.

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Portions of these exhibits have been redacted pursuant to confidential treatment requests filed with the Secretary of the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. The redacted material was filed separately with the Securities and Exchange Commission.

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

In lieu of filing certain instruments with respect to long-term debt of the kind described in Item 601(b)(4) of Regulation S-K, Visteon agrees to furnish a copy of such instruments to the Securities and Exchange Commission upon request.