

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

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

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

(Mark One)

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

For the quarterly period ended June 30, 2004, or

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

For the transition period from _____ to _____

Commission file number 1-15827

VISTEON CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware
(State of incorporation)

One Village Center Drive, Van Buren Township, Michigan
(Address of principal executive offices)

38-3519512
(I.R.S. employer
Identification number)

48111
(Zip code)

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

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

Yes No

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

Yes No

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

Exhibit index located on page number 49.

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VISTEON CORPORATION AND SUBSIDIARIES

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-Q/ A(Form 10-Q/ A) to our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2004, initially filed with the Securities and Exchange Commission (the SEC) on July 30, 2004 (the Original Filing), is being filed to reflect restatements of our consolidated balance sheets at June 30, 2004 and December 31, 2003; and our consolidated statement of operations for each of the three-month and six-month periods ended June 30, 2004 and June 30, 2003, and the notes related thereto. The restatements primarily pertain to the following matters identified during the course of preparing Visteon s 2004 financial statement:

Effective in January 2002, and again in January 2004, Visteon amended its retiree health care benefits plans for certain of its U.S. employees. These amendments changed the eligibility requirements for participants in the plans, and, as a result, Visteon changed the expense attribution periods. We have determined that these changes in eligibility requirements were not properly communicated to affected employees, and, therefore, the revision to the expense attribution periods, which resulted in expense reductions, should not have been made. The impact of the correction of these errors decreased net income by approximately \$5 million (\$0.04 per share) and \$10 million (\$0.08 per share) for the second quarter and first half ended June 30, 2004, respectively, and increased net loss by approximately \$4 million (\$0.03 per share) and \$8 million (\$0.06 per share) for the second quarter and first half ended June 30, 2003, respectively.

Visteon is making corrections for certain tooling costs originally recorded as receivables. Costs incurred for Visteon-owned tooling used in production have been adjusted to reflect such costs as long-term assets and to provide related amortization expense. Non-reimbursable costs incurred to develop reimbursable customer-owned tooling have been expensed in the periods such costs were incurred. The impact of the correction of these errors decreased net income by approximately \$1 million (\$0.01 per share) for the second quarter and first half ended June 30, 2004, and increased net loss by approximately \$1 million (\$0.01 per share) for the second quarter and first half ended June 30, 2003.

Visteon is making corrections for certain volume related rebates, received from numerous capital equipment suppliers for purchases, which were originally recognized as a reduction to expense. Costs incurred for capital equipment have been adjusted to reflect such discounts as a reduction to long-term assets and to adjust related depreciation and amortization expense. The impact of the correction of these errors increased net loss by approximately \$1 million (less than \$0.01 per share) and \$3 million (\$0.03 per share) for the second quarter and first half ended June 30, 2004, respectively.

During the review of our annual United Kingdom pension valuations, we identified unrecorded pension expenses incurred as a result of special termination benefits provided under Visteon s European Plan for Growth program. The impact of the correction of these errors decreased net income by approximately \$3 million (\$0.02 per share) for the first half ended June 30, 2004.

Visteon also identified unrecorded postretirement health care expenses at one of Visteon s foreign locations. There was no impact of the correction of these errors on net income for the second quarter and first half ended June 30, 2004, and for the second quarter and first half ended June 30, 2003.

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Visteon is correcting the amount and timing of the recognition of certain tax adjustments made during the periods. As Visteon expects to repatriate earnings of foreign subsidiaries, adjustments were made to provide for the tax effects of foreign currency movements against the U.S. dollar. These adjustments also impacted the timing of the recognition of deferred tax asset valuation allowances in the fourth quarter of 2003 and the third quarter of 2004. Further, Visteon recognized an additional valuation allowance for certain deferred tax assets that had previously been misclassified and not considered in Visteon's 2003 deferred tax assessment. There was no impact of the correction of these errors on net income for the second quarter and first half ended June 30, 2004, and for the second quarter and first half ended June 30, 2003.

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

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

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

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****VISTEON CORPORATION AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF INCOME
For the Periods Ended June 30, 2004 and 2003
(in millions, except per share amounts)

	Second Quarter		First Half	
	2004	2003	2004	2003
	(Restated)	(Restated)	(Restated)	(Restated)
	(unaudited)			
Sales				
Ford and affiliates	\$ 3,491	\$ 3,592	\$ 7,128	\$ 7,313
Other customers	1,379	1,021	2,714	2,004
Total sales	4,870	4,613	9,842	9,317
Costs and expenses (Notes 3 and 5)				
Costs of sales	4,576	4,632	9,232	9,113
Selling, administrative and other expenses	238	240	503	484
Total costs and expenses	4,814	4,872	9,735	9,597
Operating income (loss)	56	(259)	107	(280)
Interest income	5	4	9	8
Debt extinguishment cost (Note 8)	11		11	
Interest expense	24	24	47	47
Net interest expense and debt extinguishment cost	(30)	(20)	(49)	(39)
Equity in net income of affiliated companies (Note 3)	18	15	29	30
Income (loss) before income taxes and minority interests	44	(264)	87	(289)
Provision (benefit) for income taxes (Note 3)	8	(101)	22	(115)
Income (loss) before minority interests	36	(163)	65	(174)
Minority interests in net income of subsidiaries	12	9	21	17
Net income (loss)	\$ 24	\$ (172)	\$ 44	\$ (191)
Income (loss) per share (Note 9)				
Basic	\$ 0.19	\$ (1.37)	\$ 0.35	\$ (1.52)
Diluted	0.19	(1.37)	0.34	(1.52)
Cash dividends per share	\$ 0.06	\$ 0.06	\$ 0.12	\$ 0.12

The accompanying notes are part of the financial statements.

Table of Contents**VISTEON CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEET**
(in millions)

	June 30, 2004	December 31, 2003
	(Restated) (unaudited)	(Restated)
Assets		
Cash and cash equivalents	\$ 1,009	\$ 953
Marketable securities	1	3
	<hr/>	<hr/>
Total cash and marketable securities	1,010	956
Accounts receivable - Ford and affiliates	1,488	1,175
Accounts receivable - other customers (Note 7)	1,171	1,185
	<hr/>	<hr/>
Total receivables, net (Note 3)	2,659	2,360
Inventories (Note 12)	834	761
Deferred income taxes (Note 3)	163	163
Prepaid expenses and other current assets (Note 3)	245	143
	<hr/>	<hr/>
Total current assets	4,911	4,383
Equity in net assets of affiliated companies	208	215
Net property	5,359	5,365
Deferred income taxes (Note 3)	755	700
Other assets	238	270
	<hr/>	<hr/>
Total assets	\$ 11,471	\$ 10,933
	<hr/>	<hr/>
Liabilities and Stockholders' Equity		
Trade payables	\$ 2,449	\$ 2,270
Accrued liabilities	1,032	930
Income taxes payable (Note 3)	52	31
Debt payable within one year (Note 8)	244	351
	<hr/>	<hr/>
Total current liabilities	3,777	3,582
Long-term debt (Note 8)	1,686	1,467
Postretirement benefits other than pensions	605	515
Postretirement benefits payable to Ford	2,097	2,090
Other liabilities	1,540	1,508
	<hr/>	<hr/>
Total liabilities	9,705	9,162
Stockholders' equity		
Capital stock		
Preferred stock, par value \$1.00, 50 million shares authorized, none outstanding		
Common stock, par value \$1.00, 500 million shares authorized, 131 million shares issued, 130 million and 131 million shares outstanding, respectively		
	131	131
Capital in excess of par value of stock	3,297	3,288
Accumulated other comprehensive loss (Note 13)	(85)	(54)
Other	(31)	(19)
Accumulated deficit	(1,546)	(1,575)
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Total stockholders' equity	1,766	1,771
	<u> </u>	<u> </u>
Total liabilities and stockholders' equity	\$ 11,471	\$ 10,933
	<u> </u>	<u> </u>

The accompanying notes are part of the financial statements.

Table of Contents**VISTEON CORPORATION AND SUBSIDIARIES**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Periods Ended June 30, 2004 and 2003
(in millions)

	First Half	
	2004	2003
	(Restated)	(Restated)
Cash and cash equivalents at January 1	\$ 953	\$ 1,204
Cash flows provided by (used in) operating activities	348	(111)
Cash flows from investing activities		
Capital expenditures	(366)	(403)
Purchases of securities		(48)
Sales and maturities of securities	3	118
Other	10	13
Net cash used in investing activities	(353)	(320)
Cash flows from financing activities		
Commercial paper repayments, net	(81)	(65)
Other short-term debt, net	(19)	43
Proceeds from issuance of other debt, net of issuance costs	522	161
Repurchase of unsecured debt securities (Note 8)	(269)	
Principal payments on other debt	(19)	(64)
Purchase of treasury stock	(11)	(5)
Cash dividends	(16)	(16)
Other, including book overdrafts	(38)	2
Net cash provided by financing activities	69	56
Effect of exchange rate changes on cash	(8)	19
Net increase (decrease) in cash and cash equivalents	56	(356)
Cash and cash equivalents at June 30	\$ 1,009	\$ 848

The accompanying notes are part of the financial statements.

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VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

(unaudited)

NOTE 1. Financial Statements

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

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

Table of Contents**VISTEON CORPORATION AND SUBSIDIARIES****NOTES TO FINANCIAL STATEMENTS (Continued)****(unaudited)****NOTE 2. Restatement of Financial Statements**

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

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

	Second Quarter		First Half	
	2004	2003	2004	2003
	(in millions)			
Net income (loss), as originally reported	\$ 31	\$ (167)	\$ 61	\$ (182)
Accounting corrections for postretirement health care costs and pension costs (pre-tax) ⁽¹⁾	(8)	(6)	(19)	(12)
Accounting corrections for tooling costs (pre-tax) ⁽²⁾	(1)	(2)	(1)	(2)
Accounting corrections for capital equipment costs (pre-tax) ⁽³⁾	(2)		(4)	
Tax impact of above ⁽⁴⁾	4	3	7	5
Net income (loss), as restated	\$ 24	\$ (172)	\$ 44	\$ (191)

1 - Effective in January 2002, Visteon amended its retiree health care benefits plan for certain of its U.S. employees. Effective in January 2004, a Visteon wholly owned subsidiary amended its retiree health care benefits plan for its U.S. employees. These amendments changed the eligibility requirements for participants in the plans. As a result of these amendments, Visteon changed the expense attribution periods, which eliminated cost accruals for younger employees and increased accrual rates for older participating employees. Prior to these amendments, Visteon accrued for the cost of the benefit from a participating employee's date of hire, regardless of age. Visteon determined that these benefit changes were not properly communicated to effected employees pursuant to the requirements of Statement of Financial Accounting Standards No. 106 and that such expense reductions should not have been recorded. Further, analysis of the annual United Kingdom pension valuation identified pension expenses related to special termination benefits provided under Visteon's European Plan for Growth which were not fully recognized in the period in which those benefits were accepted by employees (\$3 million in the first quarter of 2004). The impact of the correction of these errors decreased net income by approximately \$5 million (\$0.04 per share) and \$13 million (\$0.10 per share) for the second quarter and first half ended June 30, 2004, respectively, and increased net loss by approximately \$4 million (\$0.03 per share) and \$8 million (\$0.06 per share) for the second quarter and first half ended June 30, 2003, respectively.

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VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

(unaudited)

NOTE 2. Restatement of Financial Statements (Continued)

- 2 - Represents a) additional amortization expense related to \$10 million of tooling costs that were misclassified as accounts receivable rather than as a long-term asset with amortization starting in 2001 and, b) \$13 million of tooling costs misclassified as accounts receivable related to customer-owned tooling for which there was no contractual agreement for reimbursement or overruns to customer-authorized reimbursement levels and, accordingly, should have been expensed as incurred. The impact of the correction of these errors decreased net income by approximately \$1 million (\$0.01 per share) for the second quarter and first half ended June 30, 2004, and increased net loss by approximately \$1 million (\$0.01 per share) for the second quarter and first half ended June 30, 2003.
- 3 - Represents an adjustment for certain volume related rebates, received from numerous capital equipment suppliers for purchases, which were originally recognized as a reduction to expense. Costs incurred for capital equipment have been adjusted to reflect such discounts as a reduction to long-term assets and to adjust related depreciation and amortization expense. The impact of the correction of these errors increased net loss by approximately \$1 million (less than \$0.01 per share) and \$3 million (\$0.03 per share) for the second quarter and first half ended June 30, 2004, respectively.
- 4 - Represents the deferred tax benefit of the pre-tax expense adjustments.

Table of Contents**VISTEON CORPORATION AND SUBSIDIARIES****NOTES TO FINANCIAL STATEMENTS (Continued)**

(unaudited)

NOTE 2. Restatement of Financial Statements (Continued)

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

CONSOLIDATED STATEMENT OF INCOME

	Second Quarter				First Half			
	2004		2003		2004		2003	
	As Originally Reported	As Restated	As Originally Reported	As Restated	As Originally Reported	As Restated	As Originally Reported	As Restated
	(in millions)							
Sales								
Ford and affiliates	\$ 3,491	\$ 3,491	\$ 3,592	\$ 3,592	\$ 7,128	\$ 7,128	\$ 7,313	\$ 7,313
Other customers	1,379	1,379	1,021	1,021	2,714	2,714	2,004	2,004
Total sales	4,870	4,870	4,613	4,613	9,842	9,842	9,317	9,317
Costs and expenses								
Costs of sales	4,567	4,576	4,625	4,632	9,212	9,232	9,102	9,113
Selling, administrative and other expenses	236	238	239	240	499	503	481	484
Total costs and expenses	4,803	4,814	4,864	4,872	9,711	9,735	9,583	9,597
Operating income (loss)	67	56	(251)	(259)	131	107	(266)	(280)
Interest income	5	5	4	4	9	9	8	8
Debt extinguishment cost	11	11			11	11		
Interest expense	24	24	24	24	47	47	47	47
Net interest expense and debt extinguishment cost	(30)	(30)	(20)	(20)	(49)	(49)	(39)	(39)
Equity in net income of affiliated companies	18	18	15	15	29	29	30	30
Income (loss) before income taxes and minority interests	55	44	(256)	(264)	111	87	(275)	(289)
Provision (benefit) for income taxes	12	8	(98)	(101)	29	22	(110)	(115)
Income (loss) before minority interests	43	36	(158)	(163)	82	65	(165)	(174)
Minority interest in net income of subsidiaries	12	12	9	9	21	21	17	17

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Net income (loss)	\$ 31	\$ 24	\$ (167)	\$ (172)	\$ 61	\$ 44	\$ (182)	\$ (191)
Income (loss) per share								
Basic	\$ 0.25	\$ 0.19	\$ (1.33)	\$ (1.37)	\$ 0.49	\$ 0.35	\$ (1.45)	\$ (1.52)
Diluted	\$ 0.24	\$ 0.19	\$ (1.33)	\$ (1.37)	\$ 0.48	\$ 0.34	\$ (1.45)	\$ (1.52)

Table of Contents**VISTEON CORPORATION AND SUBSIDIARIES****NOTES TO FINANCIAL STATEMENTS (Continued)****(unaudited)****NOTE 2. Restatement of Financial Statements (Continued)****CONSOLIDATED BALANCE SHEET**

	June 30,		December 31,	
	2004		2003	
	As Originally Reported	As Restated	As Originally Reported	As Restated
	(in millions)			
Assets				
Cash and cash equivalents	\$ 1,009	\$ 1,009	\$ 953	\$ 953
Marketable securities	1	1	3	3
Total cash and marketable securities	1,010	1,010	956	956
Accounts receivable Ford and affiliates	1,511	1,488	1,198	1,175
Accounts receivable other customers	1,150	1,171	1,164	1,185
Total receivables	2,661	2,659	2,362	2,360
Inventories	834	834	761	761
Deferred income taxes	163	163	163	163
Prepaid expenses and other current assets	271	245	168	143
Total current assets	4,939	4,911	4,410	4,383
Equity in net assets of affiliated companies	208	208	215	215
Net property	5,369	5,359	5,369	5,365
Deferred income taxes	708	755	700	700
Other assets	238	238	270	270
Total Assets	\$ 11,462	\$ 11,471	\$ 10,964	\$ 10,933
Liabilities and Stockholders Equity				
Trade payables	\$ 2,449	\$ 2,449	\$ 2,270	\$ 2,270
Accrued liabilities	1,023	1,032	924	930
Income taxes payable	48	52	27	31
Debt payable within one year	244	244	351	351
Total current liabilities	3,764	3,777	3,572	3,582
Long-term debt	1,686	1,686	1,467	1,467
Postretirement benefits other than pensions	543	605	469	515
Postretirement benefits payable to Ford	2,097	2,097	2,090	2,090
Other liabilities	1,540	1,540	1,508	1,508
Total liabilities	9,630	9,705	9,106	9,162
Stockholders equity				
Capital stock	131	131	131	131

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Capital in excess of par value of stock	3,297	3,297	3,288	3,288
Accumulated other comprehensive (loss)	(90)	(85)	(21)	(54)
Other	(31)	(31)	(19)	(19)
Accumulated deficit	(1,475)	(1,546)	(1,521)	(1,575)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total stockholders' equity	1,832	1,766	1,858	1,771
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and stockholders' equity	\$ 11,462	\$ 11,471	\$ 10,964	\$ 10,933
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

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	First Half			
	2004		2003	
	As Originally Reported	As Restated	As Originally Reported	As Restated
	(in millions)			
Cash and cash equivalents at January 1	\$ 953	\$ 953	\$ 1,204	\$ 1,204
Cash flows provided by (used in) operating activities	352	348	(111)	(111)
Cash flows used in investing activities	(357)	(353)	(320)	(320)
Cash flows provided by financing activities	69	69	56	56
Effect of exchange rate changes on cash	(8)	(8)	19	19
Net (decrease) increase in cash and cash equivalents	56	56	(356)	(356)