

VISTEON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, Dollars in Millions, Except Per Share Data)

	Three Months Ended		Twelve Months Ended	
	December 31		December 31	
	2016	2015	2016	2015
Sales	\$ 816	\$ 809	\$ 3,161	\$ 3,245
Cost of sales	687	695	2,697	2,815
Gross margin	129	114	464	430
Selling, general and administrative expenses	57	63	220	245
Restructuring expense	27	18	49	36
Interest expense, net	2	1	12	14
Equity in net (loss) income of non-consolidated affiliates	(1)	(1)	2	7
Loss on debt extinguishment	—	—	—	5
Loss on divestiture	—	105	—	105
(Loss) gain on non-consolidated affiliate transactions	(1)	—	—	62
Other expense, net	7	10	24	25
Income (loss) from continuing operations before income taxes	34	(84)	161	69
Provision (benefit from) for income taxes	3	(16)	30	27
Net income (loss) from continuing operations	31	(68)	131	42
Net (loss) income from discontinued operations, net of tax	(25)	92	(40)	2,286
Net income (loss)	6	24	91	2,328
Net income attributable to non-controlling interests	4	3	16	44
Net income attributable to Visteon Corporation	\$ 2	\$ 21	\$ 75	\$ 2,284
<u>Earnings (loss) per share data:</u>				
Basic earnings (loss) per share				
Continuing operations	\$ 0.82	\$ (1.75)	\$ 3.28	\$ 0.52
Discontinued operations	(0.76)	2.27	(1.14)	53.48
Basic earnings per share attributable to Visteon Corporation	\$ 0.06	\$ 0.52	\$ 2.14	\$ 54.00
Diluted earnings (loss) per share				
Continuing operations	\$ 0.81	\$ (1.75)	\$ 3.25	\$ 0.51
Discontinued operations	(0.75)	2.27	(1.13)	52.12
Diluted earnings per share attributable to Visteon Corporation	\$ 0.06	\$ 0.52	\$ 2.12	\$ 52.63
Average shares outstanding (in millions)				
Basic	33.1	40.6	35.0	42.3
Diluted	33.5	40.6	35.4	43.4
<u>Comprehensive income (loss):</u>				
Comprehensive (loss) income	\$ (65)	\$ 119	\$ 41	\$ 2,424
Comprehensive (loss) income attributable to Visteon Corporation	\$ (64)	\$ 116	\$ 32	\$ 2,393

VISTEON CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited, Dollars in Millions)

	December 31	December 31
	2016	2015
ASSETS		
Cash and equivalents	\$ 878	\$ 2,728
Short-term investments	—	47
Restricted cash	4	8
Accounts receivable, net	505	502
Inventories, net	151	187
Other current assets	170	581
Total current assets	1,708	4,053
Property and equipment, net	345	351
Intangible assets, net	129	133
Investments in non-consolidated affiliates	45	56
Other non-current assets	146	88
Total assets	\$ 2,373	\$ 4,681
LIABILITIES AND EQUITY		
Distribution payable	\$ 15	\$ 1,751
Short-term debt, including current portion of long-term debt	36	37
Accounts payable	463	482
Accrued employee liabilities	103	132
Other current liabilities	294	370
Total current liabilities	911	2,772
Long-term debt	346	346
Employee benefits	303	268
Deferred tax liabilities	20	21
Other non-current liabilities	69	75
Stockholders' equity		
Preferred stock	—	—
Common stock	1	1
Additional paid-in capital	1,327	1,345
Retained earnings	1,269	1,194
Accumulated other comprehensive loss	(233)	(190)
Treasury stock	(1,778)	(1,293)
Total Visteon Corporation stockholders' equity	586	1,057
Non-controlling interests	138	142
Total equity	724	1,199
Total liabilities and equity	\$ 2,373	\$ 4,681

VISTEON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS ¹

(Unaudited, Dollars in Millions)

	Three Months Ended		Twelve Months Ended	
	December 31		December 31	
	2016	2015	2016	2015
OPERATING				
Net income (loss)	\$ 6	\$ 24	\$ 91	\$ 2,328
Adjustments to reconcile net income to net cash provided from operating activities:				
Loss (gain) on Climate Transaction	—	8	2	(2,324)
Gain on non-consolidated affiliate transactions	1	—	—	(62)
Depreciation and amortization	22	22	84	169
Losses on divestitures and impairments	18	104	22	121
Equity in net income of non-consolidated affiliates, net of dividends remitted	1	1	(1)	1
Non-cash stock-based compensation	2	1	8	8
Loss on debt extinguishment	—	—	—	5
Other non-cash items	9	2	24	6
Changes in assets and liabilities:				
Accounts receivable	(34)	8	(19)	1
Inventories	15	9	30	(20)
Accounts payable	35	(15)	(10)	33
Accrued income taxes	(24)	(129)	(63)	6
Other assets and other liabilities	31	29	(48)	66
Net cash provided from operating activities	<u>82</u>	<u>64</u>	<u>120</u>	<u>338</u>
INVESTING				
Capital expenditures	(19)	(36)	(75)	(187)
Short-term investments, net	—	5	47	(47)
Loans to non-consolidated affiliate, net of repayments	—	—	(8)	(9)
Net proceeds from Climate transaction	—	—	356	2,664
Proceeds from asset sales and business divestitures	2	—	17	92
Acquisition of business, net of cash acquired	—	(4)	(15)	(4)
Payments on divestiture of businesses	(10)	(138)	(10)	(157)
Other	(10)	—	(10)	6
Net cash (used by) provided from investing activities	<u>(37)</u>	<u>(173)</u>	<u>302</u>	<u>2,358</u>
FINANCING				
Short-term debt, net	11	3	—	2
Principal payments on debt	—	—	(2)	(250)
Distribution payments	—	—	(1,736)	—
Repurchase of common stock	—	—	(500)	(500)
Dividends paid to non-controlling interests	(13)	(24)	(13)	(55)
Exercised warrants and stock options	—	16	—	40
Stock based compensation tax withholding payments	—	(10)	(11)	(10)
Other	—	—	—	(1)
Net cash used by financing activities	<u>(2)</u>	<u>(15)</u>	<u>(2,262)</u>	<u>(774)</u>
Effect of exchange rate changes on cash and equivalents	<u>(17)</u>	<u>(7)</u>	<u>(11)</u>	<u>(20)</u>
Net (decrease) increase in cash and equivalents	26	(131)	(1,851)	1,902
Cash and equivalents at beginning of period	852	2,860	2,729	827
Cash and equivalents at end of period	<u>\$ 878</u>	<u>\$ 2,729</u>	<u>\$ 878</u>	<u>\$ 2,729</u>

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The Company has combined cash flows from discontinued operations with cash flows from continuing operations within the operating, investing and financing categories. As such, cash and equivalents above include amounts reflected in current assets held for sale on the Consolidated Balance Sheets.

VISTEON CORPORATION AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(Unaudited, Dollars in Millions)

Adjusted EBITDA: Adjusted EBITDA is presented as a supplemental measure of the Company's performance that management believes is useful to investors because the excluded items may vary significantly in timing or amounts and/or may obscure trends useful in evaluating and comparing the Company's operating activities across reporting periods. The Company defines Adjusted EBITDA as net income attributable to the Company adjusted to eliminate the impact of depreciation and amortization, restructuring expense, net interest expense, loss on debt extinguishment, equity in net loss (income) of non-consolidated affiliates, loss on divestiture, gain on non-consolidated affiliate transactions, other net expense, provision for (benefit from) income taxes, discontinued operations, net income attributable to non-controlling interests, non-cash stock-based compensation expense, and other non-operating gains and losses. Because not all companies use identical calculations, this presentation of Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

	Three Months Ended		Twelve Months Ended		Estimated
	December 31		December 31		Full Year
	2016	2015	2016	2015	2017
Total Visteon					
Electronics	\$ 98	\$ 83	\$ 346	\$ 294	
Other	(2)	(4)	(9)	(12)	
Adjusted EBITDA	<u>96</u>	<u>79</u>	<u>337</u>	<u>282</u>	<u>\$355 - \$370</u>
Depreciation and amortization	22	23	84	85	85
Restructuring expense	27	18	49	36	10
Interest expense, net	2	1	12	14	15
Loss on debt extinguishment	—	—	—	5	—
Equity in net loss (income) of non-consolidated affiliates	1	1	(2)	(7)	(5)
Loss on divestiture	—	105	—	105	—
Loss (gain) on non-consolidated affiliate transactions	1	—	—	(62)	—
Other expense, net	7	10	24	25	5
Provision for (benefit from) income taxes	3	(16)	30	27	60
Net loss (income) from discontinued operations, net of tax	25	(92)	40	(2,286)	—
Net income attributable to non-controlling interests	4	3	16	44	20
Non-cash, stock-based compensation expense	2	1	8	8	10
Other	—	4	1	4	—
Net income attributable to Visteon	<u>\$ 2</u>	<u>\$ 21</u>	<u>\$ 75</u>	<u>\$ 2,284</u>	<u>\$155 - \$170</u>

	Three Months Ended		Twelve Months Ended	
	December 31		December 31	
	2016	2015	2016	2015
Electronics and corporate				
Adjusted EBITDA	\$ 98	\$ 83	\$ 346	\$ 294
Depreciation and amortization	22	22	84	83
Restructuring expense	26	18	37	36
Interest expense, net	2	1	12	14
Loss on debt extinguishment	—	—	—	5
Equity in net loss (income) of non-consolidated affiliates	1	1	(2)	5
Loss (gain) on non-consolidated affiliates	1	—	—	—
Other expense, net	7	6	10	35
Provision for income taxes	14	2	41	45
Net income attributable to non-controlling interests	3	3	16	20
Non-cash, stock-based compensation expense	2	5	9	15
Other	—	—	—	(3)
Net income	\$ 20	\$ 25	\$ 139	\$ 39
Loss (income) from discontinued operations, net of tax	25	(92)	40	(2,286)
All other loss (income), net of tax	(7)	96	24	41
Net income attributable to Visteon	\$ 2	\$ 21	\$ 75	\$ 2,284

Adjusted EBITDA is not a recognized term under U.S. GAAP and does not purport to be a substitute for net income as an indicator of operating performance or cash flows from operating activities as a measure of liquidity. Adjusted EBITDA has limitations as an analytical tool and is not intended to be a measure of cash flow available for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. In addition, the Company uses Adjusted EBITDA (i) as a factor in incentive compensation decisions, (ii) to evaluate the effectiveness of the Company's business strategies, and (iii) because the Company's credit agreements use similar measures for compliance with certain covenants.

Free Cash Flow and Adjusted Free Cash Flow: Free cash flow and Adjusted free cash flow are presented as supplemental measures of the Company's liquidity that management believes are useful to investors in analyzing the Company's ability to service and repay its debt. The Company defines Free cash flow as cash flow provided from operating activities less capital expenditures. The Company defines Adjusted free cash flow as cash flow provided from operating activities less capital expenditures, as further adjusted for restructuring and transformation-related payments. Free cash flow and Adjusted free cash flow include amounts associated with discontinued operations. Because not all companies use identical calculations, this presentation of Free cash flow and Adjusted free cash flow may not be comparable to other similarly titled measures of other companies.

	Three Months Ended		Twelve Months Ended	
	December 31		December 31	
	2016	2015	2016	2015
Total Visteon				
Cash provided from operating activities - Electronics and corporate	\$ 86	\$ 89	\$ 198	\$ 251
Cash (used by) provided from operating activities - discontinued operations and other	(4)	(25)	(78)	87
Cash provided from operating activities total Visteon	\$ 82	\$ 64	\$ 120	\$ 338
Capital expenditures	(19)	(36)	(75)	(187)
Free cash flow	\$ 63	\$ 28	\$ 45	\$ 151
Restructuring/transformation-related payments	19	34	113	160
Adjusted free cash flow	\$ 82	\$ 62	\$ 158	\$ 311

	Three Months Ended		Twelve Months Ended		Estimated Full Year 2017 *
	December 31		December 31		
	2016	2015	2016	2015	
Electronics and corporate					
Cash provided from operating activities	\$ 86	\$ 89	\$ 198	\$ 251	\$175 - \$190
Capital expenditures	(20)	(39)	(74)	(102)	80
Free cash flow	\$ 66	\$ 50	\$ 124	\$ 149	\$95 - \$110
Restructuring/transformation-related payments	13	16	43	63	70
Adjusted free cash flow	\$ 79	\$ 66	\$ 167	\$ 212	\$165 - \$180

* Guidance excludes the other product group and discontinued operations.

Free cash flow and Adjusted free cash flow are not recognized terms under U.S. GAAP and do not purport to be a substitute for cash flows from operating activities as a measure of liquidity. Free cash flow and Adjusted free cash flow have limitations as analytical tools as they do not reflect cash used to service debt and do not reflect funds available for investment or other discretionary uses. In addition, the Company uses Free cash flow and Adjusted free cash flow (i) as factors in incentive compensation decisions and (ii) for planning and forecasting future periods.

Adjusted Net Income and Adjusted Earnings Per Share: Adjusted net income and Adjusted earnings per share are presented as supplemental measures that management believes are useful to investors in analyzing the Company's profitability, providing comparability between periods by excluding certain items that may not be indicative of recurring business operating results. The Company believes management and investors benefit from referring to these supplemental measures in assessing company performance and when planning, forecasting and analyzing future periods. The Company defines Adjusted net income as net income attributable to Visteon adjusted to eliminate the impact of restructuring expense, loss on debt extinguishment, loss on divestiture, gain on non-consolidated affiliate transactions, other net expenses, other non-operating gains and losses, discontinued operations and related tax effects. The Company defines Adjusted earnings per share as Adjusted net income divided by diluted shares. Because not all companies use identical calculations, this presentation of Adjusted net income and Adjusted earnings per share may not be comparable to other similarly titled measures of other companies.

	Three Months Ended		Twelve Months Ended	
	December 31		December 31	
	2016	2015	2016	2015
Diluted earnings per share:				
Net income attributable to Visteon	\$ 2	\$ 21	\$ 75	\$ 2,284
Average shares outstanding, diluted (in millions)	33.5	40.6	35.4	43.4
Diluted earnings per share	\$ 0.06	\$ 0.52	\$ 2.12	\$ 52.63
Adjusted earnings per share:				
Net income attributable to Visteon	\$ 2	\$ 21	\$ 75	\$ 2,284
Restructuring expense	27	18	49	36
Loss on debt extinguishment	—	—	—	5
Loss on divestiture	—	105	—	105
(Loss) gain on non-consolidated affiliate transactions	(1)	—	—	62
Other expense, net	7	10	24	25
Other	—	(14)	1	15
Tax effect of adjustments	(1)	—	(1)	—
(Loss) income from discontinued operations, net of tax	(25)	92	(40)	2,286
Adjusted net income	\$ 61	\$ 48	\$ 188	\$ 122
Average shares outstanding, diluted (in millions)	33.5	40.6	35.4	43.4
Adjusted earnings per share	\$ 1.82	\$ 1.18	\$ 5.31	\$ 2.81

Adjusted net income and Adjusted earnings per share are not recognized terms under U.S. GAAP and do not purport to be a substitute for profitability. Adjusted net income and Adjusted earnings per share have limitations as analytical tools as they do not consider certain restructuring and transaction-related payments and/or expenses. In addition, the Company uses Adjusted net income and Adjusted earnings per share for internal planning and forecasting purposes.