VISTEON CORP
Form 10-Q
August 05, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-Q
(Mark One)
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2015,
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 001-15827
VISTEON CORPORATION
(Exact name of registrant as specified in its charter)

State of Delaware	38-3519512
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Village Center Drive, Van Buren Township, Michigan	48111
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (800)-VISTEON
Not applicable
(Former name, former address and former fiscal year, if changed since last report)
Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ü No__
Indicate by check mark whether the registrant: has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ü No __
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer ü Accelerated filer __ Non-accelerated filer __ Smaller reporting company __
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes __ No ü
Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ü No__
As of July 31, 2015, the registrant had outstanding 40,429,047 shares of common stock.
Exhibit index located on page number 65.

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Visteon Corporation and Subsidiaries
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Part I
Financial Information

Item 1. Consolidated Financial Statements
VISTEON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in Millions Except Per Share Amounts)
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
Sales	$812	$503	$1,628	$1,003
Cost of sales	713	446	1,417	873
Gross margin	99	57	211	130
Selling, general and administrative expenses	65	48	123	94
Restructuring expense	12	13	15	14
Interest expense	7	7	12	15
Interest income	1	2	1	4
Loss on debt extinguishment	5	23	5	23
Equity in net income of non-consolidated affiliates	12	7	11	7
Gain on sale of non-consolidated affiliates	62	2	62	2
Other (income) expense, net	(4)	16	8	22
Income (loss) before income taxes	89	(39)	122	(25)
Provision (benefit) for income taxes	24	(2)	33	11
Net income (loss) from continuing operations	65	(37)	89	(36)
Income (loss) from discontinued operations, net of tax	2,159	(104)	2,205	(57)
Net income (loss)	2,224	(141)	2,294	(93)
Net income attributable to non-controlling interests	16	14	36	43
Net income (loss) attributable to Visteon Corporation	$2,208	$(155)	$2,258	$(136)
Basic earnings (loss) per share:				
Continuing operations	$1.34	$(0.89)	$1.76	$(1.04)
Discontinued operations	49.54	(2.46)	49.79	(1.85)
Basic earnings (loss) per share attributable to Visteon Corporation	$50.88	$(3.35)	$51.55	$(2.89)
Diluted earnings (loss) per share:				
Continuing operations	$1.31	$(0.89)	$1.71	$(1.04)
Discontinued operations	48.42	(2.46)	48.58	(1.85)
Diluted earnings (loss) per share attributable to Visteon Corporation	$49.73	$(3.35)	$50.29	$(2.89)
Comprehensive income (loss):				
Comprehensive income (loss)	$2,303	$(107)	$2,323	$(80)
Comprehensive income (loss) attributable to Visteon Corporation	$2,288	$(131)	$2,296	$(124)

See accompanying notes to the consolidated financial statements.

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

	June 30 2015	December 31 2014
ASSETS		
Cash and equivalents	$2,857	$476
Restricted cash	9	9
Accounts receivable, net	554	572
Inventories, net	204	208
Current assets held for sale	18	1,630
Other current assets	285	239
Total current assets	3,927	3,134
Property and equipment, net	338	363
Intangible assets, net	148	156
Investments in non-consolidated affiliates	63	99
Non-current assets held for sale	—	1,425
Other non-current assets	462	146
Total assets	$4,938	$5,323
LIABILITIES AND EQUITY		
Short-term debt, including current portion of long-term debt	$29	$29
Accounts payable	484	513
Accrued employee liabilities	124	114
Current liabilities held for sale	11	959
Other current liabilities	353	217
Total current liabilities	1,001	1,832
Long-term debt	349	587
Employee benefits	456	489
Deferred tax liabilities	36	53
Non-current liabilities held for sale	—	430
Other non-current liabilities	246	111
Stockholders' equity:		
Preferred stock (par value $0.01, 50 million shares authorized, none outstanding at June 30, 2015 and December 31, 2014)	—	—
Common stock (par value $0.01, 250 million shares authorized, 55 million and 54 million shares issued, and 40 million and 44 million shares outstanding at June 30, 2015 and December 31, 2014, respectively)	1	1
Stock warrants	2	3
Additional paid-in capital	1,230	1,246
Retained earnings	2,919	661
Accumulated other comprehensive loss	(261)	(299)
Treasury stock	(1,203)	(747)
Total Visteon Corporation stockholders' equity	2,688	865
Non-controlling interests	162	956

Total equity	2,850	1,821
Total liabilities and equity	$4,938	$5,323

See accompanying notes to the consolidated financial statements.

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VISTEON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS[1]
(Dollars in Millions)
(Unaudited)

	Six Months Ended June 30 2015	2014
Operating Activities		
Net income (loss)	$2,294	$(93)
Adjustments to reconcile net income to net cash provided from operating activities:		
Gain on Climate Transaction	(2,332)	—
Gain on sale of non-consolidated affiliates	(62)	(2)
Asset impairments and losses on divestitures	16	173
Depreciation and amortization	127	130
Loss on debt extinguishment	5	23
Equity in net income of non-consolidated affiliates, net of dividends remitted	(2)	5
Non-cash stock-based compensation	6	6
Other non-cash items	3	7
Changes in assets and liabilities:		
Accounts receivable	(18)	(78)
Inventories	(32)	(18)
Accounts payable	32	21
Accrued income taxes	142	12
Other assets and other liabilities	25	(59)
Net cash provided from operating activities	204	127
Investing Activities		
Proceeds from Climate Transaction	2,664	—
Capital expenditures	(122)	(127)
Loan to non-consolidated affiliate	(10)	—
Proceeds from sale of non-consolidated affiliates	91	58
Other business divestitures and acquisitions	(24)	(7)
Other	5	5
Net cash provided from (used by) investing activities	2,604	(71)
Financing Activities		
Short-term debt, net	(6)	35
Proceeds from issuance of debt, net of issuance costs	—	590
Principal payments on debt	(250)	(4)
Repurchase of long-term notes	—	(419)
Repurchase of common stock	(500)	(500)
Dividends paid to non-controlling interests	(31)	(45)
Exercised warrants and stock options	19	9
Other	(1)	(2)
Net cash used by financing activities	(769)	(336)
Effect of exchange rate changes on cash and equivalents	(9)	2
Net increase (decrease) in cash and equivalents	2,030	(278)
Cash and equivalents at beginning of the period	827	1,677
Cash and equivalents at end of the period	$2,857	$1,399

[1] 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.
See accompanying notes to the consolidated financial statements.

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VISTEON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. Description of Business

Visteon Corporation (the “Company” or “Visteon”) is a global supplier of automotive systems, modules and components to automotive original equipment manufacturers (“OEMs”) worldwide including Ford, Nissan, Renault, Mazda, BMW, General Motors and Honda. Headquartered in Van Buren Township, Michigan, Visteon has a current workforce of approximately 11,500 employees dedicated to the design, development, manufacture and support of its product offerings and its global customers. The Company's manufacturing and engineering footprint is principally located outside of the U.S., with a heavy concentration in low-cost geographic regions.

Visteon delivers value for its customers and stockholders through its technology-focused core vehicle cockpit electronics business. The Company's vehicle cockpit electronics product line includes audio systems, infotainment systems, driver information systems, connectivity and telematics solutions and electronic control modules. The Company's vehicle cockpit electronics business is comprised of and reported under the Electronics segment. In addition to the Electronics segment, the Company has residual operations in South America and Europe previously associated with the Interiors and Climate businesses, not subject to discontinued operations classification, that comprise the Other segment.

Climate

On June 9, 2015, Visteon Corporation and its wholly owned subsidiary, VIHI, LLC (collectively, “Visteon”) completed the sale to Hahn & Co. Auto Holdings Co., Ltd. (“Hahn”) and Hankook Tire Co., Ltd. (“Hankook” and, together with Hahn, the “Purchasers”) of all of its shares of Halla Visteon Climate Control Corporation, a Korean corporation (“HVCC”), for approximately $3.4 billion, or KRW 52,000 per share, after adjusting for the 2014 dividend paid by HVCC to Visteon (the “Climate Transaction”), pursuant to and in accordance with the Share Purchase Agreement, dated as of December 17, 2014 (the “Purchase Agreement”), among Visteon and the Purchasers. See Note 3 "Discontinued Operations" for additional disclosures. The Company received net cash proceeds of approximately $2.7 billion and recognized a pre-tax gain of approximately $2.3 billion in connection with the closing of the Climate Transaction.

In connection with the closing of the Climate Transaction, Visteon, HVCC and/or the Purchasers have entered into certain other agreements, including a transition agreement (pursuant to which the parties will provide certain transition services for a specified period following the closing), a remediation agreement (pursuant to which Visteon will provide certain information technology services for a period of time), engineering and support agreements (pursuant to which the parties will support certain operations of the other following the closing), and a letter agreement (pursuant to which Visteon has agreed to purchase from HVCC certain electronics operations located in India).

Electronics

On July 1, 2014, the Company completed the acquisition of substantially all of the global automotive electronics business of Johnson Controls Inc. (the "Electronics Acquisition") for an aggregate purchase price of $299 million funded with cash on hand, including $31 million of cash and equivalents at the acquired business. The operating results for the business acquired have been included in the Electronics segment from the date of acquisition. The Electronics Acquisition was accounted for as a business combination, with the purchase price allocated on a preliminary basis as of July 2014.

Interiors

In May 2014, pursuant to a Master Purchase Agreement, as subsequently amended, Visteon agreed to divest substantially all of its global Interiors business (the "Interiors Divestiture") in exchange for the assumption of certain liabilities related to the Company's Interiors business and the payment of nominal cash consideration. Effective November 1, 2014, the Company closed on the majority of the Interiors Divestiture (the "Master Closing"). Subsequent to the Master Closing, Visteon completed the sale of Interiors operations in India and Thailand on December 1, 2014 and February 2, 2015, respectively. Remaining operations subject to the Interiors Divestiture are located in Argentina and Brazil and are expected to close during 2015. Assets and liabilities associated with these operations continue to meet the "held for sale" criteria at June 30, 2015 and were classified as "Other current assets" or "Other current liabilities" in the consolidated balance sheets. These remaining transactions are subject to various conditions, including regulatory and antitrust approvals, receipt of other third party consents and approvals and other customary closing conditions, and may be subject to further cash impacts based on purchase price adjustments at the time of closing. The Company expects to record losses in connection with the Argentina and Brazil portions of the Interiors Divestiture in future periods upon closing, which are estimated to be approximately $20 million.

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In preparing the June 30, 2015, financial statements, the Company determined that an indicator of impairment existed in relation to the long-lived assets of the European Interiors operation that is not subject to the Interiors Divestiture. Accordingly, the Company performed a recoverability test utilizing a probability weighted analysis of cash flows associated with continuing the operations and estimated cash flows associated with the potential sale of the operations. As a result of the analysis, the Company concluded that the assets were not recoverable. However, as the fair value of the underlying assets were determined to be in excess of the respective carrying value, no impairment was recorded as of June 30, 2015. The Company continues to pursue strategic alternatives to fully divest of its remaining European Interiors operation. To the extent that a sale transaction becomes more likely to occur in future periods an impairment charge may be required and such charge could be material. Additionally, due to certain liabilities and capital requirements of this remaining business, Visteon may be required to contribute cash to such business in connection with any disposition and such amounts could be material. As of June 30, 2015, the Company did not meet the specific criteria considered necessary for the European Interiors operation to be considered held for sale.

NOTE 2. Summary of Significant Accounting Policies

The unaudited consolidated financial statements of the Company have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission. 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 all adjustments (consisting of normal recurring adjustments, except as otherwise disclosed) 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. 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 greater than 20% and for which the Company exercises significant influence but does not exercise control are accounted for using the equity method. All other investments in non-consolidated affiliates are accounted for using the cost method.

Use of Estimates: The preparation of the financial statements in conformity with U.S. 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.

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

Other (Income) Expense, Net: Other (income) expense, net includes transformation initiatives, integration costs and a provision for losses on recoverable taxes. Transformation initiatives include financial and advisory fees incurred in connection with execution of the Company's comprehensive value creation plan and certain severance costs associated with the Electronics Acquisition and the Climate Transaction. Transformation initiatives also include favorable hedging and exchange impacts of $22 million and $19 million for the three and six-month periods ended June 30, 2015 respectively, related to the Climate Transaction proceeds.

Integration costs include costs associated with re-branding, facility modification, information technology readiness and related professional services necessary to integrate businesses associated with the Electronics Acquisition. The Company expects to incur total integration costs of $40 million over a two-year period through the end of 2015, of which $27 million has been incurred through June 30, 2015.

	Three Months Ended	Six Months Ended

	June 30		June 30	
	2015	2014	2015	2014
	(Dollars in Millions)			
Transformation initiatives	$(9)	$3	$(1)	$7
Integration costs	5	5	9	7
Provision for losses on recoverable taxes	—	8	—	8
	$(4)	$16	$8	$22

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Cash and Equivalents: The Company considers all highly liquid investments purchased with a maturity of three months or less, including short-term time deposits, commercial paper, repurchase agreements and money market funds to be cash equivalents. As of June 30, 2015 the remaining cash related to the Climate Transaction proceeds is invested in a diversified portfolio of conservative cash and cash equivalents including money market funds, commercial paper rated A2/P2 and above with maturity under three months, and time deposits which mature under three months with highly rated banking institutions. The Company has $964 million in AAA rated money market mutual funds, all with daily liquidity, that are invested in high quality government and prime securities with asset values exceeding $15 billion per fund. The recorded value of such funds approximates fair value based on the nature of the investment.

Restricted Cash: Restricted cash represents amounts designated for uses other than current operations and includes $7 million related to the Letter of Credit Facility with US Bank National Association, and $2 million related to cash collateral for other corporate purposes at June 30, 2015.

Investments in Affiliates: The Company recorded equity in the net income of affiliates of $12 million and $7 million for the three-month periods ended June 30, 2015 and 2014, respectively. For the six-month periods ended June 30, 2015, and 2014, the Company recorded $11 million and $7 million, respectively. Investments in affiliates were $63 million and $99 million at June 30, 2015 and December 31, 2014, respectively. At June 30, 2015, affiliates accounted for under the equity method totaled $52 million and affiliates accounted for under the cost method totaled $11 million. The Company monitors its investments in affiliates for indicators of other-than-temporary declines in value on an ongoing basis. If the Company determines that such a decline has occurred, an impairment loss is recorded, which is measured as the difference between carrying value and fair value.

In June 2015, the Company completed the sale of its 12.5% ownership interest in Yangfeng Visteon Jinqiao Automotive Trim Systems Co., Ltd. ("Jinqiao"), a Chinese automotive supplier for proceeds of approximately $91 million and recorded a pre-tax gain of $62 million during the three and six months ended June 30, 2015.

In April 2014, the Company completed the sale of its 50% ownership interest in Duckyang Industry Co., Ltd. ("Duckyang"), a Korean automotive interiors supplier. In connection with the transaction, the Company received total cash of approximately $31 million, including $6 million of dividends. The Company recorded a pre-tax gain of approximately $2 million on this transaction during the three and six months ended June 30, 2014.

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. During the six months ended June 30, 2015, the Company recorded $13 million as changes in estimates for customer actions related to defective supplier parts. The following table provides a reconciliation of changes in the product warranty and recall claims liability.

	Six Months Ended June 30	
	2015	2014
	(Dollars in Millions)	
Beginning balance	$21	$23
Accruals for products shipped	8	3
Changes in estimates	13	—
Foreign currency translation	(3)	—
Settlements	(3)	(3)

Ending balance	$36	$23

Recently Issued Accounting Pronouncements: In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-8, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity". This ASU changes the requirements for reporting discontinued operations to disposals of components of an entity that represent strategic shifts that have a major effect on an entity’s operations and financial results and does not prohibit continuing involvement. The standard also expands the disclosures for discontinued operations and requires new disclosures related to individually material disposals that do not qualify for discontinued operations reporting. The guidance was

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effective for interim and annual periods beginning after December 15, 2014, and should be applied prospectively. The Company adopted this new standard prospectively with effect from January 1, 2015.

In May 2014, the FASB issued ASU No. 2014-9, "Revenue from Contracts with Customers", which is the new comprehensive revenue recognition standard that will supersede existing revenue recognition guidance under U.S. GAAP. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to a customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services. To achieve this principle, an entity identifies the contract with a customer, identifies the separate performance obligations in the contract, determines the transaction price, allocates the transaction price to the separate performance obligations and recognizes revenue when each separate performance obligation is satisfied. This ASU allows for both retrospective and prospective methods of adoption. In July 2015, the FASB approved a one-year deferral of the effective date of the standard. As such, the new standard will become effective for annual and interim periods beginning after December 15, 2017 with early adoption on the original effective date permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-2, "Consolidation (Topic 810)—Amendments to the Consolidation Analysis", which provides guidance on evaluating whether a reporting entity should consolidate certain legal entities. Specifically, the amendments modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities. Further, the amendments eliminate the presumption that a general partner should consolidate a limited partnership, as well as affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. This new guidance is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. A reporting entity may apply the amendments using a modified retrospective approach or a full retrospective application. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-3, "Simplifying the Presentation of Debt Issuance Cost". The ASU requires debt issuance costs associated with a recognized debt liability to be presented on the balance sheet as a direct deduction from the carrying amount of the corresponding debt liability. This new guidance is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. An entity should apply the new guidance on a retrospective basis. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

In May 2015, the FASB issued ASU 2015-7, “Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)”. This amendment removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share. This new guidance is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. A reporting entity should apply the amendments retrospectively to all periods presented. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

NOTE 3. Discontinued Operations

The operations subject to the Interiors Divestiture and Climate Transaction met conditions required to qualify for discontinued operations reporting. Accordingly, the results of operations for the Interiors and Climate businesses have been reclassified to Income (loss) from discontinued operations, net of tax in the consolidated statements of comprehensive income for the three and six-month periods ended June 30, 2015 and 2014.

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Discontinued operations are summarized as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
	(Dollars in Millions)			
Sales	$933	$1,537	$2,168	$3,019
Cost of sales	862	1,371	2,000	2,731
Gross margin	71	166	168	288
Selling, general and administrative expenses	35	50	75	98
Gain on Climate Transaction	2,332	—	2,332	—
Loss and impairment on Interiors Divestiture	2	173	16	173
Restructuring expense	1	4	2	5
Interest expense, net	1	1	2	3
Equity in net income of non-consolidated affiliates	3	4	6	6
Other (income) expense, net	(1)	5	5	9
Income (loss) from discontinued operations before income taxes	2,368	(63)	2,406	6
Provision for income taxes	209	41	201	63
Income (loss) from discontinued operations, net of tax	2,159	(104)	2,205	(57)
Net income attributable to non-controlling interests	9	10	24	30
Net income (loss) from discontinued operations attributable to Visteon	$2,150	$(114)	$2,181	$(87)

During the three-month period ended June 30, 2015, the Company received $3.4 billion of gross proceeds and recorded a $2.3 billion in pre-tax gain associated with the Climate Transaction. A summary of the gain is summarized below (dollars in millions):

Gross proceeds	(1)	$3,423
Korea withholding tax	(2)	(377)
Professional fees	(3)	(20)
Korea security transaction tax	(4)	(17)
Divested cash balances	(5)	(345)
Net cash provided from investing activities		2,664
Net assets divested, excluding cash balances	(5)	(557)
Information technology separation and service obligations	(6)	(53)
Employee related charges	(7)	(45)
Electronics business repurchase obligation	(8)	(50)
Professional fees	(3)	(4)
Korea withholding tax recoverable	(2)	377
Net gain on Climate Transaction		$2,332

(1) Gross proceeds of $3.423 billion were received in connection with the Climate Transaction, translated at a spot rate of 1121.5 KRW to USD on June 9, 2015. Impacts of related hedging activities and exchange on proceeds conversion into USD are included in the Company's consolidated statements of comprehensive income as "Other (income) expense, net" for the three and six months ended June 30, 2015.

(2) The Company remitted Korean withholding tax of $377 million, reducing proceeds classified as net cash provided from investing activities within the Company's consolidated statements of cash flows for the six months ended June 30, 2015. The Company believes it is more likely than not that such amounts will be recovered within one to five years after transaction close. The withholding tax recoverable is included the Company's consolidated balance sheets

as "Other non-current assets" as of June 30, 2015.

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(3) Professional fees of $24 million, representing fees paid to financial advisors, were based on a percentage of the gross proceeds, partially offset by previously paid retainer fees of $4 million, for a net payment of $20 million reducing proceeds classified as net cash provided from investing activities within the Company's consolidated statements of cash flows for the six months ended June 30, 2015.

(4) Security transaction taxes of $17 million were remitted to the Korean government as of the transaction close, reducing proceeds classified as net cash provided from investing activities within the Company's consolidated statements of cash flows for the six months ended June 30, 2015.

(5) Net assets of $902 million, including assets, liabilities, accumulated other comprehensive income and non-controlling interests, were divested in connection with the Climate Transaction. Divested assets included $345 million of cash balances, reflected as a reduction of transaction proceeds classified as net cash provided from investing activities within the Company's consolidated statements of cash flows for the six months ended June 30, 2015.

(6) In connection with the Climate Transaction, the Company has entered an agreement pursuant to which Visteon will provide information technology ongoing and separation services for HVCC to fully operate as an independent entity with estimated costs of approximately $53 million. The information technology liability is included in the Company's consolidated balance sheets as "Other current liabilities" as of June 30, 2015.

(7) Employee related charges of $45 million include bonus payments, the Company's assumption of incentive plan liabilities, and impacts of employment change in control provisions. Bonus payments of $30 million are classified in the Company's net cash provided from operating activities within the Company's consolidated statements of cash flows for the six months ended June 30, 2015. Amounts remaining to be paid are included in the Company's consolidated balance sheets as "Accrued employee liabilities" as of June 30, 2015.

(8) In connection with the Climate Transaction, the Company has entered an agreement to purchase certain electronics operations located in India, expected to close in 2016 after legal separation and regulatory approvals are met. The Company has recorded a repurchase obligation of $50 million, representing the estimated purchase price of the subject business. The Company continues to consolidate the business, with net assets of approximately $22 million, based on the Company's continued controlling financial interest. The Company's controlling financial interest was evaluated based on continued operating control and obligation to fund losses or benefit from earnings. The business is included in a legal entity currently owned by HVCC and therefore the Electronics business assets are not available for general corporate purposes. The repurchase obligation is included in the Company's consolidated balance sheets as "Other current liabilities" as of June 30, 2015.

During the three and six-month periods ended June 30, 2015, the Company recorded additional losses and adjustments related to the Interiors Divestiture of $2 million and $16 million, respectively, including $3 million attributable to the sale of operations in Thailand. Consideration associated with the Interiors Divestiture remains subject to further adjustments.

Assets and liabilities related to the Interiors and Climate businesses have been reclassified as held for sale in the consolidated balance sheets. As of June 30, 2015, held for sale balances include assets and liabilities associated with operations subject to the Interiors Divestiture located in Argentina and Brazil.

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Held for sale balances are summarized as follows:

	June 30 2015	December 31 2014
	(Dollars in Millions)	
ASSETS HELD FOR SALE		
Cash and equivalents	$—	$346
Restricted cash	—	—
Accounts receivable, net	12	779
Inventories, net	5	329
Other current assets	1	176
Total current assets held for sale	18	1,630