

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

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2012, 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)

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

**38-3519512**

(I.R.S. employer identification number)

**48111**

(Zip code)

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: 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 (Section 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 ☒ 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 ☒ 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 ☒

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 ☒ No ☐

As of July 27, 2012, the registrant had outstanding 52,684,731 shares of common stock.

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**PART I**  
**FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**VISTEON CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
*(Unaudited, Dollars in Millions Except Per Share Amounts)*

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2012	2011	2012	2011
Sales	\$ 1,693	\$ 2,046	\$ 3,410	\$ 3,896
Cost of sales	1,565	1,854	3,148	3,561
<b>Gross margin</b>	<b>128</b>	<b>192</b>	<b>262</b>	<b>335</b>
Selling, general and administrative expenses	87	100	178	196
Restructuring and other expenses	11	26	74	28
<b>Operating income</b>	<b>30</b>	<b>66</b>	<b>10</b>	<b>111</b>
Interest expense	10	12	22	27
Interest income	4	5	7	11
Loss on debt extinguishment	—	24	—	24
Equity in net income of non-consolidated affiliates	103	43	145	87
<b>Income from continuing operations before income taxes</b>	<b>127</b>	<b>78</b>	<b>140</b>	<b>158</b>
Provision for income taxes	42	34	69	62
<b>Income from continuing operations</b>	<b>85</b>	<b>44</b>	<b>71</b>	<b>96</b>
(Loss) income from discontinued operations, net of tax	(1)	—	2	4
<b>Net income</b>	<b>84</b>	<b>44</b>	<b>73</b>	<b>100</b>
Net income attributable to non-controlling interests	9	18	27	35
<b>Net income attributable to Visteon Corporation</b>	<b>\$ 75</b>	<b>\$ 26</b>	<b>\$ 46</b>	<b>\$ 65</b>
<b><u>Basic earnings (loss) per share:</u></b>				
Continuing operations	\$ 1.43	\$ 0.51	\$ 0.83	\$ 1.20
Discontinued operations	(0.02)	—	0.04	0.08
Basic earnings attributable to Visteon Corporation	\$ 1.41	\$ 0.51	\$ 0.87	\$ 1.28
<b><u>Diluted earnings (loss) per share:</u></b>				
Continuing operations	\$ 1.42	\$ 0.50	\$ 0.82	\$ 1.17
Discontinued operations	(0.02)	—	0.04	0.08
Diluted earnings attributable to Visteon Corporation	\$ 1.40	\$ 0.50	\$ 0.86	\$ 1.25
<b><u>Comprehensive income:</u></b>				
Comprehensive income	\$ 31	\$ 93	\$ 67	\$ 212
Comprehensive income attributable to Visteon Corporation	\$ 29	\$ 66	\$ 40	\$ 158

See accompanying notes to the consolidated financial statements.

**VISTEON CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(Unaudited, Dollars in Millions)

	June 30 2012	December 31 2011
<b>ASSETS</b>		
Cash and equivalents	\$ 681	\$ 723
Restricted cash	21	23
Accounts receivable, net	1,166	1,071
Inventories, net	380	381
Other current assets	430	296
<b>Total current assets</b>	<b>2,678</b>	<b>2,494</b>
Property and equipment, net	1,264	1,412
Equity in net assets of non-consolidated affiliates	714	644
Intangible assets, net	328	353
Other non-current assets	60	66
<b>Total assets</b>	<b>\$ 5,044</b>	<b>\$ 4,969</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Short-term debt, including current portion of long-term debt	\$ 94	\$ 87
Accounts payable	1,067	1,010
Accrued employee liabilities	171	189
Other current liabilities	227	267
<b>Total current liabilities</b>	<b>1,559</b>	<b>1,553</b>
Long-term debt	503	512
Employee benefits	408	495
Deferred tax liabilities	199	187
Other non-current liabilities	247	225
Shareholders' equity:		
Preferred stock (par value \$0.01, 50 million shares authorized, none outstanding at June 30, 2012 and December 31, 2011)	—	—
Common stock (par value \$0.01, 250 million shares authorized, 53 million and 52 million shares issued, 53 million and 52 million shares outstanding at June 30, 2012 and December 31, 2011, respectively)	1	1
Stock warrants	13	13
Additional paid-in capital	1,250	1,165
Retained earnings	212	166
Accumulated other comprehensive loss	(31)	(25)
Treasury stock	(12)	(13)
Total Visteon Corporation shareholders' equity	1,433	1,307
Non-controlling interests	695	690
<b>Total shareholders' equity</b>	<b>2,128</b>	<b>1,997</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 5,044</b>	<b>\$ 4,969</b>

See accompanying notes to the consolidated financial statements.

**VISTEON CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(Unaudited, Dollars in Millions)*

	<b>Six Months Ended June 30</b>	
	<b>2012</b>	<b>2011</b>
<b>Operating Activities</b>		
Net income	\$ 73	\$ 100
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation and amortization	132	162
Equity in net income of non-consolidated affiliates, net of dividends remitted	(134)	(83)
Loss on debt extinguishment	—	24
Other non-cash items	42	16
Changes in assets and liabilities:		
Accounts receivable	(91)	(195)
Inventories	(32)	(40)
Accounts payable	64	79
Other assets and other liabilities	(47)	(43)
Net cash provided from operating activities	7	20
<b>Investing Activities</b>		
Capital expenditures	(102)	(126)
Proceeds from asset sales	80	10
Other	(2)	(5)
Net cash used by investing activities	(24)	(121)
<b>Financing Activities</b>		
Short-term debt, net	4	9
Proceeds from issuance of debt, net of issuance costs	2	502
Principal payments on debt	(4)	(506)
Cash restriction, net	—	52
Rights offering fees	—	(33)
Dividends to non-controlling interests	(22)	(24)
Net cash used by financing activities	(20)	—
Effect of exchange rate changes on cash and equivalents	(5)	35
Net decrease in cash and equivalents	(42)	(66)
Cash and equivalents at beginning of period	723	905
Cash and equivalents at end of period	\$ 681	\$ 839

See accompanying notes to the consolidated financial statements.

**VISTEON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1. Basis of Presentation**

*Description of Business:* Visteon Corporation (the “Company” or “Visteon”) is a supplier of climate, interiors and electronics systems, modules and components to global automotive original equipment manufacturers (“OEMs”). Headquartered in Van Buren Township, Michigan, Visteon has a workforce of approximately 26,000 employees and a network of manufacturing operations, technical centers and joint ventures in every major geographic region of the world.

*Interim Financial Statements:* 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 (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (“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.

*Use of Estimates:* The preparation of the 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.

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

*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.

*Revenue Recognition:* The Company records revenue when persuasive evidence of an arrangement exists, delivery occurs or services are rendered, the sales price is fixed or determinable and collectibility is reasonably assured. The Company ships product and records revenue pursuant to commercial agreements with its customers generally in the form of an approved purchase order, including the effects of contractual customer price productivity. The Company does negotiate discrete price changes with its customers, which are generally the result of unique commercial issues between the Company and its customers. The Company records amounts associated with discrete price changes as a reduction to revenue when specific facts and circumstances indicate that a price reduction is probable and the amounts are reasonably estimable. The Company records amounts associated with discrete price changes as an increase to revenue upon execution of a legally enforceable contractual agreement and when collectibility is reasonably assured.

*Reorganization under Chapter 11 of the U.S. Bankruptcy Code:* On May 28, 2009, Visteon and certain of its U.S. subsidiaries (the “Debtors”) filed voluntary petitions for reorganization relief under chapter 11 of the United States Bankruptcy Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Delaware (the “Court”) in response to sudden and severe declines in global automotive production during the latter part of 2008 and early 2009 and the resulting adverse impact on the Company’s cash flows and liquidity. On August 31, 2010, the Court entered an order confirming the Debtors’ joint plan of reorganization. On October 1, 2010 (the “Effective Date”), all conditions precedent to the effectiveness of the Plan and related documents were satisfied or waived and the Company emerged from bankruptcy. The Company adopted fresh-start accounting upon emergence from the Chapter 11 Proceedings and became a new entity for financial reporting purposes as of the Effective Date.

*Restricted Cash:* Restricted cash represents amounts designated for uses other than current operations and includes \$11 million of collateral for the Letter of Credit Facility with US Bank National Association, and \$10 million related to cash collateral for other corporate purposes at June 30, 2012.

*New Accounting Pronouncements:* In June 2011, the Financial Accounting Standards Board issued guidance amending comprehensive income disclosures retrospectively, for fiscal years, and interim reporting periods within those years, beginning after December 15, 2011. This guidance requires disclosures of all non-owner changes (components of comprehensive income) in stockholders’ equity to be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The Company adopted these new disclosure requirements with effect from January 1, 2012.

**NOTE 2. Discontinued Operations**

In March 2012, the Company entered into an agreement for the sale of assets and liabilities associated with the Company's Lighting operations to Varroccorp Holding BV and Varroc Engineering Pvt. Ltd. (together, "Varroc Group") for proceeds of approximately \$92 million, including \$20 million related to the Company's 50% equity interest in Visteon TYC Corporation ("VTYC") (collectively the "Lighting Transaction"). On August 1, 2012, the Company completed the Lighting Transaction, excluding the Company's investment in VTYC, for proceeds of approximately \$72 million, subject to purchase price adjustments. The Company's Lighting operations manufacture front and rear lighting systems, auxiliary lamps and key subcomponents such as projectors and electronic modules through facilities located in Novy Jicin and Rychvald, Czech Republic, Monterrey, Mexico and Pune, India. The Company's Lighting business recorded sales for the year ended December 31, 2011 of \$531 million.

The Company determined that assets and liabilities subject to the Lighting Transaction, excluding the Company's investment in VTYC, met the "held for sale" criteria during the quarterly period ended March 31, 2012. The held for sale Lighting assets and liabilities were revalued to the lower of carrying amount or fair value less cost to sell, which resulted in asset impairment charges of approximately \$11 million and \$13 million for the three-month and six-month periods ended June 30, 2012, respectively. Additionally, the held for sale Lighting assets and liabilities were reclassified in the Consolidated Balance Sheets to "Other current assets" or "Other current liabilities," respectively, as the sale of such assets and liabilities closed during the third quarter of 2012.

Assets and liabilities held for sale are summarized as follows:

Assets	June 30 2012	Liabilities	June 30 2012
	(Dollars in Millions)		(Dollars in Millions)
Property and equipment, net	\$ 35	Employee liabilities	\$ 4
Inventories, net	30	Capital lease obligations	3
Definite-lived intangibles, net	5	Other liabilities	1
Other assets	6		\$ 8
	<u>\$ 76</u>		

Further, because the Lighting operations represent a component of the Company's business, the results of operations of the Lighting business have been reclassified to "Income from discontinued operations, net of tax" in the Consolidated Statements of Comprehensive Income for the three-month and six-month periods ended June 30, 2012 and 2011.

Discontinued operations are summarized as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
	(Dollars in Millions)			
Sales	\$ 126	\$ 132	\$ 265	\$ 255
Cost of sales	113	127	236	244
Gross margin	13	5	29	11
Selling, general and administrative expenses	3	4	6	6
Asset impairments	11	—	13	—
Other expenses	1	—	3	—
Operating (loss) income	(2)	1	7	5
Interest expense	1	1	1	1
(Loss) income from discontinued operations before income taxes	(3)	—	6	4
(Benefit) provision for income taxes	(2)	—	4	—
Net (loss) income from discontinued operations attributable to Visteon Corporation	<u>\$ (1)</u>	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ 4</u>

### Note 3. Restructuring and Other Expenses

Restructuring and other expenses consist of the following:

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
	(Dollars in Millions)			
Restructuring expenses	\$ 1	\$ 19	\$ 42	\$ 17
Loss on asset contribution	—	—	14	—
Transformation costs	10	2	18	3
Bankruptcy related costs	—	5	—	8
	<u>\$ 11</u>	<u>\$ 26</u>	<u>\$ 74</u>	<u>\$ 28</u>

#### Restructuring Activities

The Company has undertaken various restructuring activities to achieve its strategic and financial objectives. Restructuring activities include, but are not limited to, plant closures, production relocation, administrative cost structure realignment and consolidation of available capacity and resources. The Company expects to finance restructuring programs through cash on hand, cash generated from its ongoing operations, reimbursements pursuant to customer accommodation and support agreements or through cash available under its existing debt agreements, subject to the terms of applicable covenants. Restructuring costs are recorded as elements of a plan are finalized and the timing of activities and the amount of related costs are not likely to change. However, such costs are estimated based on information available at the time such charges are recorded. In general, management anticipates that restructuring activities will be completed within a time frame such that significant changes to the plan are not likely. Due to the inherent uncertainty involved in estimating restructuring expenses, actual amounts paid for such activities may differ from amounts initially estimated.

Given the economically-sensitive and highly competitive nature of the automotive industry, the Company continues to closely monitor current market factors and industry trends taking action as necessary, including but not limited to, additional restructuring actions. However, there can be no assurance that any such actions will be sufficient to fully offset the impact of adverse factors on the Company or its results of operations, financial position and cash flows.

Restructuring reserves of \$9 million and \$26 million at June 30, 2012 and December 31, 2011, respectively, are classified as other current liabilities on the consolidated balance sheets. The Company anticipates that the activities associated with these reserves will be substantially completed by the end of 2012. The following is a summary of the Company's consolidated restructuring reserves and related activity for the six months ended June 30, 2012.

	Electronics	Interiors	Climate	Total
	(Dollars in Millions)			
December 31, 2011	\$ 19	\$ 6	\$ 1	\$ 26
Expenses	36	4	1	41
Utilization	(49)	(3)	(1)	(53)
March 31, 2012	6	7	1	14
Expenses	—	—	1	1
Utilization	(5)	—	(1)	(6)
June 30, 2012	<u>\$ 1</u>	<u>\$ 7</u>	<u>\$ 1</u>	<u>\$ 9</u>

During the first quarter of 2012, the Company recorded \$41 million of restructuring expenses, including \$36 million in connection with the previously announced closure of the Company's Cadiz Electronics operation in El Puerto de Santa Maria, Spain. In January 2012 the Company reached agreements with the local unions and Spanish government for the closure of its Cadiz operation, which were subsequently ratified by the employees in February 2012. Pursuant to the agreements, the Company agreed to pay one-time termination benefits, in excess of the statutory minimum requirement, of approximately \$31 million. Additionally, the Company agreed to transfer land, building and machinery with a net book value of approximately \$14 million for the benefit of the employees. The Company also recorded \$5 million of other exit costs related to the Cadiz exit including amounts payable to the Spanish



government in connection with the asset contribution. Utilization during the three months ended March 31, 2012 includes \$48 million of payments to former Cadiz employees for employee severance and termination benefits. Payment of \$4 million to the Spanish government in connection with the asset contribution was included in utilization for the three months ended June 30, 2012. The Company recovered approximately \$19 million of such costs during the first half of 2012 pursuant to the Release Agreement with Ford for an aggregate recovery of \$23 million when considering the \$4 million received during 2011. Amounts recovered have been recorded as deferred revenue on the Company's consolidated balance sheet as further described in Note 9, "Other Liabilities".

During the second quarter of 2011, the Company recorded approximately \$21 million for severance and termination benefits representing the minimum amount of employee separation costs pursuant to statutory regulations related to the closure of its Cadiz Electronics operation. Additionally, the Company reversed approximately \$2 million of previously recorded restructuring accruals due to lower than estimated severance and termination benefit costs associated with the consolidation of the Company's Electronics operations in South America.

During the first quarter of 2011, the Company recorded approximately \$4 million for employee severance and termination benefits associated with previously announced actions at two European Interiors facilities. The Company also reversed approximately \$6 million of previously established accruals for employee severance and termination benefits at a European Interiors facility pursuant to a March 2011 contractual agreement to cancel the related social plan.

*Business Transformation Activities*

Business transformation costs of \$10 million and \$18 million incurred during the three-month and six-month periods ended June 30, 2012, respectively, relate principally to financial and advisory fees associated with the Company's continued efforts to transform its business portfolio and to rationalize its cost structure including, among other things, the investigation of potential transactions for the sale, merger or other combination of certain businesses.

The Company recorded bankruptcy-related costs of \$5 million and \$8 million during the three-month and six-month periods ended June 30, 2011, which were the result of amounts directly associated with the bankruptcy claims settlement process under Chapter 11.

**NOTE 4. Inventories**

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

	June 30 2012	December 31 2011
	(Dollars in Millions)	
Raw materials	\$ 142	\$ 167
Work-in-process	182	174
Finished products	79	64
	403	405
Valuation reserves	(23)	(24)
	<u>\$ 380</u>	<u>\$ 381</u>

**NOTE 5. Other Assets**

Other current assets are summarized as follows:

	<b>June 30 2012</b>	<b>December 31 2011</b>
	<b>(Dollars in Millions)</b>	
Recoverable taxes	\$ 111	\$ 99
Assets held for sale	76	—
Pledged accounts receivable	67	82
Dividends receivable	60	—
Deposits	30	32
Non-consolidated affiliates receivable	29	32
Deferred tax assets	24	30
Prepaid assets	24	17
Foreign currency hedges	8	—
Other	1	4
	<b>\$ 430</b>	<b>\$ 296</b>

Other non-current assets are summarized as follows:

	<b>June 30 2012</b>	<b>December 31 2011</b>
	<b>(Dollars in Millions)</b>	
Deferred tax assets	\$ 17	\$ 18
Income tax receivable	10	11
Debt issuance costs	7	8
Deposits	6	7
Notes receivable	4	6
Other	16	16
	<b>\$ 60</b>	<b>\$ 66</b>

**NOTE 6. Property and Equipment**

Property and equipment, net consists of the following:

	<b>June 30 2012</b>	<b>December 31 2011</b>
	<b>(Dollars in Millions)</b>	
Land	\$ 153	\$ 184
Buildings and improvements	258	311
Machinery, equipment and other	1,031	985
Construction in progress	76	106
Total property and equipment	1,518	1,586
Accumulated depreciation	(334)	(254)
	1,184	1,332
Product tooling, net of amortization	80	80
Property and equipment, net	<b>\$ 1,264</b>	<b>\$ 1,412</b>

Property and equipment is depreciated principally using the straight-line method of depreciation over an estimated useful life. Generally, buildings and improvements are depreciated over a 40-year estimated useful life and machinery, equipment and other assets are depreciated over estimated useful lives ranging from 3 to 15 years. Product tooling is amortized using the straight-line method over the estimated life of the tool, generally not exceeding 6 years.

Depreciation and amortization expenses are summarized as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
	(Dollars in Millions)			
Depreciation	\$ 54	\$ 70	\$ 107	\$ 131
Amortization	3	4	5	9
	<u>\$ 57</u>	<u>\$ 74</u>	<u>\$ 112</u>	<u>\$ 140</u>

On April 17, 2012, the Company sold its corporate headquarters, which had a net book value of approximately \$60 million, for proceeds of approximately \$80 million. In connection with the sale, the Company entered into an agreement to lease back the corporate offices over a period of 15 years. The resulting gain on the sale of \$20 million is being recognized into income over the lease term on a straight-line basis.

#### NOTE 7. Non-Consolidated Affiliates

The Company recorded equity in net income of non-consolidated affiliates of \$103 million and \$43 million for the three-month periods ended June 30, 2012 and 2011, respectively. For the six-month periods ended June 30, 2012 and 2011, the Company recorded \$145 million and \$87 million, respectively. Equity in the net income of non-consolidated affiliates for the three-month and six-month periods ended June 30, 2012 includes \$63 million representing Visteon's equity interest in a non-cash gain recorded by Yanfeng Visteon Automotive Trim Systems Co., Ltd ("Yanfeng"), a 50% owned non-consolidated affiliate of the Company, during the second quarter 2012. The gain resulted from the excess of fair value over carrying value of a former equity investee of Yanfeng that was consolidated effective June 1, 2012 pursuant to changes in the underlying joint venture agreement. The amounts recorded by Yanfeng are based on preliminary estimates of enterprise value, which remain subject to finalization. Final determination of the values may result in adjustments to the amount of the gain reported herein. The Company had \$714 million and \$644 million of equity in the net assets of non-consolidated affiliates at June 30, 2012 and December 31, 2011, respectively.

The following table presents summarized financial data for the Company's non-consolidated affiliates, including Yanfeng, of which the Company owns a 50% interest and which is considered a significant non-consolidated affiliate. Summarized financial information reflecting 100% of the operating results of the Company's equity investees are provided below.

	Three Months Ended June 30					
	Net Sales		Gross Margin		Net Income	
	2012	2011	2012	2011	2012	2011
	(Dollars in Millions)					
Yanfeng	\$ 991	\$ 739	\$ 178	\$ 128	\$ 185	\$ 63
All other	467	205	52	37	27	22
	<u>\$ 1,458</u>	<u>\$ 944</u>	<u>\$ 230</u>	<u>\$ 165</u>	<u>\$ 212</u>	<u>\$ 85</u>
	Six Months Ended June 30					
	Net Sales		Gross Margin		Net Income	
	2012	2011	2012	2011	2012	2011
	(Dollars in Millions)					
Yanfeng	\$ 1,784	\$ 1,459	\$ 300	\$ 237	\$ 257	\$ 132
All other	880	392	94	70	44	41
	<u>\$ 2,664</u>	<u>\$ 1,851</u>	<u>\$ 394</u>	<u>\$ 307</u>	<u>\$ 301</u>	<u>\$ 173</u>

Yanfeng sales and gross margin for the three and six months ended June 30, 2012 include approximately \$200 million and \$40 million, respectively, related to June 2012 activity of a former equity investee that was consolidated effective June 1, 2012. Yanfeng net income for the three and six months ended June 30, 2012 includes approximately \$130 million associated with a non-cash gain on the consolidation of a former equity investee. Net sales for all other non-consolidated affiliates for the three and six months ended June 30, 2012 included \$215 million and \$408 million, respectively, related to Duckyang. The Company commenced equity method accounting for Duckyang from October 2011 following the sale of a controlling ownership interest and deconsolidation from the Company's financial statements.

On August 1, 2012 Visteon agreed to sell its 50% equity share of R-Tek Ltd., a UK-based Interiors joint venture, for proceeds of approximately \$30 million.

The Company monitors its investments in the net assets of non-consolidated 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.

#### NOTE 8. Intangible Assets

Intangible assets, net are comprised of the following:

	June 30, 2012			December 31, 2011		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
(Dollars in Millions)						
<b><u>Definite-lived intangible assets</u></b>						
Developed technology	\$ 198	\$ 45	\$ 153	\$ 204	\$ 32	\$ 172
Customer related	119	22	97	119	16	103
Other	21	4	17	20	3	17
	<u>\$ 338</u>	<u>\$ 71</u>	<u>\$ 267</u>	<u>\$ 343</u>	<u>\$ 51</u>	<u>\$ 292</u>
<b><u>Goodwill and indefinite-lived intangible assets</u></b>						
Goodwill			\$ 36			\$ 36
Trade names			25			25
			<u>\$ 61</u>			<u>\$ 61</u>

The Company recorded approximately \$10 million and \$20 million of amortization expense related to definite-lived intangible assets for the three-month and six-month periods ended June 30, 2012, respectively. The Company recorded approximately \$11 million and \$22 million of amortization expense related to definite-lived intangible assets for the three-month and six-month periods ended June 30, 2011, respectively. The Company currently estimates annual amortization expense to be \$40 million for 2012 through 2014, \$39 million for 2015 and \$38 million for 2016. Goodwill and trade names, substantially all of which relate to the Company's Climate reporting unit, are not amortized but are tested for impairment at least annually. Impairment testing is required more often if an event or circumstance indicates that an impairment is more likely than not to have occurred. In conducting goodwill impairment testing, the fair value of the reporting unit is compared to the net book value of the reporting unit. If the net book value exceeds the fair value, an impairment loss is measured and recognized. The Company conducts its annual impairment testing as of the first day of the fourth quarter.

**NOTE 9. Other Liabilities**

Other current liabilities are summarized as follows:

	June 30 2012	December 31 2011
	(Dollars in Millions)	
Product warranty and recall reserves	\$ 40	\$ 42
Deferred income	37	21
Non-income taxes payable	34	41
Payables to non-consolidated affiliates	21	24
Income taxes payable	18	29
Restructuring reserves	9	26
Liabilities held for sale	8	—
Accrued legal reserves	8	8
Accrued interest payable	7	7
Claims settlement accruals	3	9
Foreign currency hedges	1	16
Other accrued liabilities	41	44
	<u>\$ 227</u>	<u>\$ 267</u>

Other non-current liabilities are summarized as follows:

	June 30 2012	December 31 2011
	(Dollars in Millions)	
Income tax reserves	\$ 101	\$ 97
Deferred income	66	42
Non-income taxes payable	41	41
Product warranty and recall reserves	24	24
Legal and environmental reserves	9	11
Other accrued liabilities	6	10
	<u>\$ 247</u>	<u>\$ 225</u>

Current and non-current deferred income at June 30, 2012 of \$17 million and \$40 million, respectively, relate to various customer accommodation, support and other agreements. Revenue associated with these agreements is being recorded in relation to the delivery of associated products in accordance with the terms of the underlying agreement or over the estimated period of benefit to the customer, generally representing the duration of remaining production on current vehicle platforms. The Company recorded \$5 million and \$10 million of revenue associated with these payments during the three-month and six-month periods ended June 30, 2012. The Company expects to record approximately \$10 million, \$15 million, \$14 million, \$9 million and \$9 million of deferred amounts in the remainder of 2012 and the annual periods of 2013, 2014, 2015 and 2016, respectively.

**NOTE 10. Debt**

As of June 30, 2012, the Company had \$94 million and \$503 million of debt outstanding classified as short-term debt and long-term debt, respectively. The Company's short and long-term debt balances consist of the following:

	June 30	December 31
	2012	2011
(Dollars in Millions)		
<b><u>Short-term debt</u></b>		
Current portion of long-term debt	\$ 5	\$ 1
Other – short-term	89	86
Total short-term debt	94	87
<b><u>Long-term debt</u></b>		
6.75% senior notes due April 15, 2019	495	494
Other	8	18
Total long-term debt	503	512
Total debt	\$ 597	\$ 599

As of June 30, 2012, the Company's revolving loan credit agreement has a borrowing capacity of \$212 million. As of June 30, 2012, there were no amounts outstanding under the revolving loan credit agreement. On April 3, 2012, the Company entered into an amendment to the revolving loan credit agreement to allow for the potential sale of the Lighting assets as well as the sale and leaseback of the Company's U.S. corporate headquarters. On July 3, 2012, the Company entered into an amendment to the revolving loan credit agreement, to among other things, reduce the aggregate lending commitment to \$175 million and modify certain restrictive covenants to permit certain asset dispositions, hedging and similar arrangements and the incurrence of limited categories of indebtedness.

In connection with the Company's \$15 million Letter of Credit ("LOC") Facility with US Bank National Association, the Company must continue to maintain a collateral account equal to 103% of the aggregated stated amount of the LOCs with reimbursement of any draws. As of June 30, 2012 and December 31, 2011, the Company had \$11 million of outstanding letters of credit issued under this facility and secured by restricted cash. In addition, the Company had \$13 million of locally issued letters of credit to support various customs arrangements and other obligations at its local affiliates of which \$6 million are securitized by cash collateral as of June 30, 2012.

As of June 30, 2012, the Company had affiliate debt outstanding of \$101 million, with \$93 million and \$8 million classified in short-term and long-term debt, respectively. These balances are primarily related to the Company's non-U.S. operations and are payable in non-U.S. currencies including, but not limited to the Euro, Chinese Yuan, and Korean Won. Remaining availability on outstanding affiliate credit facilities is approximately \$216 million and certain of these facilities have pledged receivables, inventory or equipment as security. Included in the Company's affiliate debt is an arrangement, through a subsidiary in France, to sell accounts receivable on an uncommitted basis. The amount of financing available is contingent upon the amount of receivables less certain reserves. The Company pays a 30 basis point servicing fee on all receivables sold, as well as a financing fee of 3-month Euribor plus 75 basis point on the advanced portion. At June 30, 2012, there was \$25 million of outstanding borrowings under the facility with \$67 million of receivables pledged as security, which are recorded as Other current assets on the consolidated balance sheet.

The fair value of debt was approximately \$587 million at both June 30, 2012 and December 31, 2011, respectively. Fair value estimates were based on quoted market prices or current rates for the same or similar issues, or on the current rates offered to the Company for debt of the same remaining maturities.

**NOTE 11. Employee Retirement Benefits**
*Benefit Expenses*

The components of the Company's net periodic benefit costs for the three-month periods ended June 30, 2012 and 2011 were as follows:

	Retirement Plans				Health Care and Life Insurance Benefits	
	U.S. Plans		Non-U.S. Plans			
	2012	2011	2012	2011	2012	2011
(Dollars in Millions)						
<b>Costs recognized in income</b>						
Service cost	\$ —	\$ 1	\$ 2	\$ 2	\$ —	\$ —
Interest cost	18	18	7	7	—	—
Expected return on plan assets	(20)	(18)	(5)	(5)	—	—
Reinstatement (termination) of benefits	—	—	—	—	—	(2)
Visteon sponsored plan net pension (income) expense	<u>\$ (2)</u>	<u>\$ 1</u>	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ (2)</u>

The components of the Company's net periodic benefit costs for the six-month periods ended June 30, 2012 and 2011 were as follows:

	Retirement Plans				Health Care and Life Insurance Benefits	
	U.S. Plans		Non-U.S. Plans			
	2012	2011	2012	2011	2012	2011
(Dollars in Millions)						
<b>Costs recognized in income</b>						
Service cost	\$ —	\$ 2	\$ 3	\$ 3	\$ —	\$ —
Interest cost	35	37	14	14	—	—
Expected return on plan assets	(39)	(37)	(9)	(9)	—	—
Reinstatement (termination) of benefits	—	—	—	—	—	(2)
Special termination benefits	—	2	—	—	—	—
Visteon sponsored plan net pension (income) expense	<u>\$ (4)</u>	<u>\$ 4</u>	<u>\$ 8</u>	<u>\$ 8</u>	<u>\$ —</u>	<u>\$ (2)</u>

Most U.S. salaried employees and certain non-U.S. employees are eligible to participate in defined contribution plans by contributing a portion of their compensation, which is partially matched by the Company. Effective January 1, 2012, matching contributions for the U.S. defined contribution plan are 100% on the first 6% of pay contributed. The expense related to matching contributions was approximately \$3 million and \$8 million for the three-month and six-month periods ended June 30, 2012, respectively. The expense related to matching contributions was approximately \$1 million and \$2 million for the three-month and six-month periods ended June 30, 2011, respectively.

*Contributions*

On January 9, 2012 the Company completed a contribution of approximately 1.5 million shares of Visteon Corporation common stock valued at approximately \$73 million to its two largest U.S. defined benefit plans. This contribution was in excess of the calendar 2012 minimum required contributions for those plans by approximately \$10 million.

During the six-month period ended June 30, 2012, cash contributions to the Company's U.S. and non-U.S. retirement plans were \$3 million and 6 million, respectively. The Company anticipates additional cash contributions to its U.S. and non-U.S. retirement plans of \$1 million and \$10 million, respectively, during 2012. The Company also anticipates contributions to its OPEB plans of \$2 million. The Company's expected 2012 contributions may be revised.

**NOTE 12. Income Taxes**

The Company's provision for income taxes in interim periods is computed by applying an estimated annual effective tax rate against income before income taxes, excluding equity in net income of non-consolidated affiliates for the period. Effective tax rates vary from period to period as separate calculations are performed for those countries where the Company's operations are profitable and whose results continue to be tax-effected and for those countries where full deferred tax valuation allowances exist and are maintained. The Company is also required to record the tax impact of certain other non-recurring tax 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. 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 will be maintained until sufficient positive evidence exists to reduce or eliminate them.

The Company provides for U.S. and non-U.S. income taxes and non-U.S. withholding taxes on the projected future repatriations of the earnings from its non-U.S. operations at each tier of the legal entity structure. During the three-month and six-month periods ended June 30, 2012, the Company recognized expense of \$6 million and \$11 million, respectively, reflecting the Company's forecasts which contemplate numerous financial and operational considerations that impact future repatriations.

The Company's provision for income taxes for the three-month and six-month periods ended June 30, 2012 of \$42 million and \$69 million, respectively, includes income tax expense in countries where the Company is profitable, withholding taxes, changes in uncertain tax benefits, and the inability to record a tax benefit for pre-tax losses in the U.S. and certain other jurisdictions to the extent not offset by other categories of income.

The amount of income tax expense or benefit allocated to continuing operations is generally determined without regard to the tax effects of other categories of income or loss, such as other comprehensive income. However, an exception to the general rule is provided when there is a pre-tax loss from continuing operations and net pre-tax income from other categories in the current year. In such instances, net pre-tax income from other categories must offset the current loss from operations, the tax benefit of such offset being reflected in continuing operations even when a valuation allowance has been established against the deferred tax assets. In instances where a valuation allowance is established against current year operating losses, net pre-tax income from other sources, including other comprehensive income, is considered when determining whether sufficient future taxable income exists to realize the deferred tax assets.

*Unrecognized Tax Benefits*

Gross unrecognized tax benefits were \$129 million at June 30, 2012 and \$123 million at December 31, 2011, of which approximately \$69 million in each period represents the amount of unrecognized benefits that, if recognized, would impact the effective tax rate. The gross unrecognized tax benefit differs from that which would impact the effective tax rate due to uncertain tax positions embedded in other deferred tax attributes carrying a full valuation allowance. Since the uncertainty is expected to be resolved while a full valuation allowance is maintained, these uncertain tax positions should not impact the effective tax rate in current or future periods. During the three-month and six-month periods ended June 30, 2012, the Company increased its gross unrecognized tax benefits for positions expected to be taken in future tax returns, primarily related to the allocation of costs among our global operations, and foreign currency impacts. The Company records interest and penalties related to uncertain tax positions as a component of income tax expense. Accrued interest and penalties related to uncertain tax positions was \$32 million at June 30, 2012 and \$28 million at December 31, 2011.

The Company operates in multiple jurisdictions throughout the world and the income tax returns of its subsidiaries in various tax jurisdictions are subject to periodic examination by respective tax authorities. With few exceptions, the Company is no longer subject to U.S. federal tax examinations for years before 2008 or state and local, or non-U.S. income tax examinations for years before 2002. Although it is not possible to predict the timing of the resolution of all ongoing tax audits with accuracy, it is reasonably possible that certain tax proceedings in Europe and Asia could conclude within the next twelve months and result in a significant change in the balance of gross unrecognized tax benefits. Given the number of years, jurisdictions and positions subject to examination, the Company is unable to estimate the full range of possible adjustments to the balance of unrecognized tax benefits. However, the Company believes it is reasonably possible that it will reduce the amount of its existing unrecognized tax benefits impacting the effective tax rate by \$1 million to \$3 million due to the lapse of statute of limitations, some portion of such reduction might be reported as discontinued operations.



**NOTE 13. Shareholders' Equity and Non-controlling Interests**

The tables below provide a reconciliation of the carrying amount of total shareholders' equity, including shareholders' equity attributable to Visteon and equity attributable to non-controlling interests ("NCI") for the three and six months ended June 30, 2012 and 2011.

	Three Months Ended June 30					
	2012			2011		
	Visteon	NCI	Total	Visteon	NCI	Total
	(Dollars in Millions)					
Shareholders' equity beginning balance	\$ 1,398	\$ 693	\$ 2,091	\$ 1,365	\$ 693	\$ 2,058
Income from continuing operations	76	9	85	26	18	44
Loss from discontinued operations	(1)	—	(1)	—	—	—
Net income	75	9	84	26	18	44
Other comprehensive income						
Foreign currency translation adjustment	(47)	(9)	(56)	37	9	46
Pension and other postretirement benefits	(3)	—	(3)	1	—	1
Unrealized hedging gains and other	4	2	6	2	—	2
Total other comprehensive (loss) income	(46)	(7)	(53)	40	9	49
Stock-based compensation, net	6	—	6	10	—	10
Warrant exercises	—	—	—	2	—	2
Dividends to non-controlling interests	—	—	—	—	(7)	(7)
Shareholders' equity ending balance	\$ 1,433	\$ 695	\$ 2,128	\$ 1,443	\$ 713	\$ 2,156

	Six Months Ended June 30					
	2012			2011		
	Visteon	NCI	Total	Visteon	NCI	Total
	(Dollars in Millions)					
Shareholders' equity beginning balance	\$ 1,307	\$ 690	\$ 1,997	\$ 1,260	\$ 690	\$ 1,950
Income from continuing operations	44	27	71	61	35	96
Income from discontinued operations	2	—	2	4	—	4
Net income	46	27	73	65	35	100
Other comprehensive income						
Foreign currency translation adjustment	(19)	(3)	(22)	84	18	102
Pension and other postretirement benefits	(1)	—	(1)	3	—	3
Unrealized hedging gains and other	14	3	17	6	1	7
Total other comprehensive (loss) income	(6)	—	(6)	93	19	112
Stock-based compensation, net	13	—	13	20	—	20
Common stock contribution to U.S. pension plans	73	—	73	—	—	—
Warrant exercises	—	—	—	5	—	5
Dividends to non-controlling interests	—	(22)	(22)	—	(31)	(31)
Shareholders' equity ending balance	\$ 1,433	\$ 695	\$ 2,128	\$ 1,443	\$ 713	\$ 2,156

On July 30, 2012, Visteon's board of directors authorized the repurchase of up to \$100 million of the Company's common stock over the subsequent two year period. The Company anticipates that repurchases of common stock, if any, would occur from time to time in open market transactions or in privately negotiated transactions depending on market and economic conditions, share price, trading volume, alternative uses of capital and other factors.

### Non-controlling Interests

Non-controlling interests in the Visteon Corporation economic entity are as follows:

	June 30 2012	December 31 2011
	(Dollars in Millions)	
Halla Climate Control Corporation	\$ 665	\$ 660
Visteon Interiors Korea Ltd	18	20
Other	12	10
Total non-controlling interests	<u>\$ 695</u>	<u>\$ 690</u>

The Company holds a 70% interest in Halla Climate Control Corporation ("Halla"), a consolidated subsidiary. Halla is headquartered in South Korea with operations in North America, Europe and Asia. Halla designs, develops and manufactures automotive climate control products, including air conditioning systems, modules, compressors, and heat exchangers for sale to global OEMs.

On July 4, 2012 Visteon, through its wholly-owned Korean subsidiary, Visteon Korea Holdings Corp., commenced a cash tender offer to purchase the remaining 30 percent (32.0 million shares) of Halla for 913 billion Korean Won ("KRW"), or approximately \$805 million. The tender offer, which remained open for 20 days, was conditioned on shareholders tendering a minimum of 26.7 million shares, for a total Visteon ownership of at least 95 percent. Visteon offered 28,500 KRW per share, representing a premium of approximately 15 percent to Halla's share trading price on the Korean stock exchange on July 4, 2012. The tender offer and related costs were to be funded through a fully committed Korean debt facility of 1 trillion KRW or \$881 million (the "Bridge Loan"), under which Visteon Korea Holdings Corp. borrowed 925 billion KRW or \$815 million. The Bridge Loan is secured by a pledge of all of the shares of capital stock of Halla owned directly or indirectly by Visteon. On July 3, 2012, the Company entered into an amendment to the revolving credit loan agreement, to among other things, permit the the Bridge Loan. On July 24, 2012 the tender offer expired without acceptance of the tendered shares, due to the 95 percent condition not being satisfied.

On July 30, 2012, Visteon Korea Holdings Corp. amended the Bridge Loan to provide, among other things, for the ability to make additional borrowings, notwithstanding the voluntary prepayment of previously borrowed amounts, in exchange for the payment of a commitment fee of 0.5 percent per annum (the "Amended Bridge Loan"). The Amended Bridge Loan is available for borrowing through April 30, 2013 and expires July 4, 2013. Additionally, on July 30, 2012, Visteon Korea Holdings Corp. repaid approximately 910 billion KRW or \$800 million of previously borrowed amounts under the Bridge Loan. Interest on the Amended Bridge Loan is to be paid every three months based on the average yield rate quoted by certain bond pricing agencies in respect of KRW denominated non-guaranteed bank debentures with a remaining maturity of one year, plus an annual margin of 3.00 percent. The Amended Bridge Loan may be pre-paid, in full or in part, at any time by following certain advance notice and other procedures. In certain events, the Amended Bridge Loan requires prepayment, including upon the disposal of certain assets, the incurrence of certain indebtedness and the receipt of certain distributions.

In connection with the tender offer Visteon entered into a short-term equity put option based upon the KOSPI 200 Index with a notional value of approximately \$800 million to substantially protect itself from a significant market downturn during the tender offer period. In connection with the expiration of the tender offer, Visteon terminated the short-term equity put option on July 24, 2012.

### Accumulated Other Comprehensive Loss

The Accumulated other comprehensive loss ("AOCI") category of Shareholders' equity, net of tax, includes:

	June 30 2012	December 31 2011
	(Dollars in Millions)	
Foreign currency translation adjustments	\$ (60)	\$ (41)
Pension and other postretirement benefit adjustments	24	25
Unrealized gains (losses) on derivatives	5	(9)
Total accumulated other comprehensive loss	<u>\$ (31)</u>	<u>\$ (25)</u>

**NOTE 14. Earnings (Loss) Per Share**

Basic earnings (loss) per share of common stock is calculated by dividing reported net income (loss) attributable to Visteon by the average number of shares of common stock outstanding during the applicable period, adjusted for participating securities. Diluted earnings (loss) per share is computed by dividing net income (loss) attributable to Visteon by the average number of shares of common stock outstanding during the applicable period, adjusted for participating securities and the effect of dilutive potential common stock, such as stock warrants and stock options. The impact of participating securities and other dilutive potential common stock is not taken into consideration in a loss period as the impact would be anti-dilutive. Accordingly, participating securities and other dilutive potential common stock have been excluded from the computation of basic and diluted loss per share as applicable.

The table below provides details underlying the calculations of basic and diluted earnings (loss) per share.

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
(Dollars in Millions, Except Per Share Amounts)				
<b><u>Numerator:</u></b>				
Income from continuing operations	\$ 76	\$ 26	\$ 44	\$ 61
(Loss) income from discontinued operations	(1)	—	2	4
Net income attributable to Visteon	<u>\$ 75</u>	<u>\$ 26</u>	<u>\$ 46</u>	<u>\$ 65</u>
<b><u>Denominator:</u></b>				
Average common stock outstanding	53.3	51.0	53.1	50.9
Dilutive effect of warrants	0.4	0.9	0.4	1.2
Diluted shares	<u>53.7</u>	<u>51.9</u>	<u>53.5</u>	<u>52.1</u>
<b>Basic and Diluted Earnings (Loss) Per Share Data:</b>				
<b><u>Basic earnings (loss) per share:</u></b>				
Continuing operations	\$ 1.43	\$ 0.51	\$ 0.83	\$ 1.20
Discontinued operations	(0.02)	—	0.04	0.08
Basic earnings per share attributable to Visteon	<u>\$ 1.41</u>	<u>\$ 0.51</u>	<u>\$ 0.87</u>	<u>\$ 1.28</u>
<b><u>Diluted earnings (loss) per share:</u></b>				
Continuing operations	\$ 1.42	\$ 0.50	\$ 0.82	\$ 1.17
Discontinued operations	(0.02)	—	0.04	0.08
Diluted earnings per share attributable to Visteon	<u>\$ 1.40</u>	<u>\$ 0.50</u>	<u>\$ 0.86</u>	<u>\$ 1.25</u>

**NOTE 15. Fair Value Measurements and Financial Instruments**
***Fair Value Hierarchy***

Financial assets and liabilities are categorized, based on the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to the quoted prices in active markets for identical assets and liabilities and lowest priority to unobservable inputs.

- Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the Company has the ability to access.
- Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability.
- Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

# Financial Instruments

The Company's net cash inflows and outflows exposed to the risk of changes in foreign currency 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. Where possible, the Company utilizes derivative financial instruments, including forward and option contracts, to protect the Company's cash flow from changes in exchange rates. Foreign currency exposures are reviewed monthly and natural offsets are considered prior to entering into a derivative financial instrument.

The Company's primary foreign currency exposures include the Euro, Korean Won, Czech Koruna, Hungarian Forint and Mexican Peso. Where possible, the Company utilizes a strategy of partial coverage for transactions in these currencies. As of June 30, 2012 and December 31, 2011, the Company had forward contracts to hedge changes in foreign currency exchange rates with notional amounts of approximately \$700 million and \$741 million, respectively. Fair value estimates of these contracts are based on quoted market prices. A portion of these instruments has been designated as cash flow hedges with the effective portion of the gain or loss reported in the Accumulated other comprehensive loss component of Shareholders' equity in the Company's consolidated balance sheets and the ineffective portion recorded as Cost of sales in the Company's consolidated statements of comprehensive income.

Foreign currency hedge instruments are measured at fair value on a recurring basis under an income approach using industry-standard models that consider various assumptions, including time value, volatility factors, current market and contractual prices for the underlying and non-performance risk. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data, or are supported by observable levels at which transactions are executed in the marketplace. Accordingly, the Company's foreign currency instruments are classified as Level 2, "Other Observable Inputs" in the fair value hierarchy.

## Financial Statement Presentation

The Company presents its derivative positions and any related material collateral under master netting agreements on a net basis. Derivative financial instruments designated and non-designated as hedging instruments are included in the Company's consolidated balance sheets at June 30, 2012 and December 31, 2011 as follows:

Assets			Liabilities		
Classification	June 30 2012	December 31 2011	Classification	June 30 2012	December 31 2011
(Dollars in Millions)			(Dollars in Millions)		
<b>Designated:</b>			<b>Designated:</b>		
Other current assets	\$ 10	\$ —	Other current assets	\$ 3	\$ —
Other current liabilities	3	8	Other current liabilities	4	24
<b>Non-designated:</b>			<b>Non-designated:</b>		
Other current assets	1	—	Other current assets	—	—
	<u>\$ 14</u>	<u>\$ 8</u>		<u>\$ 7</u>	<u>\$ 24</u>

Gains and losses associated with derivative financial instruments recorded in Cost of sales and Interest expense for the three-month periods ended June 30, 2012 and 2011 are as follows:

	Amount of Gain (Loss)					
	Recorded in AOCI, net of tax		Reclassified from AOCI into Income		Recorded in Income	
	Three months ended		Three months ended		Three months ended	
	June 30		June 30		June 30	
	2012	2011	2012	2011	2012	2011
(Dollars in Millions)						
<b>Foreign currency risk – Cost of sales</b>						
Cash flow hedges	\$ 4	\$ 2	\$ —	\$ 4	\$ —	\$ —
Non-designated cash flow hedges	—	—	—	—	—	(3)
	<u>\$ 4</u>	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ (3)</u>

Gains and losses associated with derivative financial instruments recorded in Cost of sales and Interest expense for the six-month periods ended June 30, 2012 and 2011 are as follows:

	Amount of Gain (Loss)					
	Recorded in AOCI, net of tax		Reclassified from AOCI into Income		Recorded in Income	
	Six months ended		Six months ended		Six months ended	
	June 30		June 30		June 30	
	2012	2011	2012	2011	2012	2011
(Dollars in Millions)						
<b>Foreign currency risk – Cost of sales</b>						
Cash flow hedges	\$ 14	\$ 5	\$ —	\$ 6	\$ —	\$ —
Non-designated cash flow hedges	—	—	—	—	(1)	(4)
	<u>\$ 14</u>	<u>\$ 5</u>	<u>\$ —</u>	<u>\$ 6</u>	<u>\$ (1)</u>	<u>\$ (4)</u>
<b>Interest rate risk – Interest expense</b>						
Cash flow hedges	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

#### Concentrations of Credit Risk

Financial instruments, including cash equivalents, marketable securities, derivative contracts and accounts receivable, expose the Company to counterparty credit risk for non-performance. The Company's counterparties for cash equivalents, marketable securities and derivative contracts are banks and financial institutions that meet the Company's requirement of high credit standing. The Company's counterparties for derivative contracts are with investment and commercial banks with significant experience using such derivatives and is assessed on a net basis. The Company manages its credit risk through policies requiring minimum credit standing and limiting credit exposure to any one counterparty and through monitoring counterparty credit risks. The Company's concentration of credit risk related to derivative contracts at June 30, 2012 and December 31, 2011 is not significant. With the exception of the customers below, the Company's credit risk with any individual customer does not exceed ten percent of total accounts receivable at June 30, 2012 and December 31, 2011, respectively.

	June 30 2012	December 31 2011
Ford and affiliates	24%	24%
Hyundai Mobis Company	13%	14%
Hyundai Motor Company	9%	10%

Management periodically performs credit evaluations of its customers and generally does not require collateral.

#### Items Measured at Fair Value on a Non-recurring Basis

In addition to items that are measured at fair value on a recurring basis, the Company measures certain assets and liabilities at fair value on a non-recurring basis, which are not included in the table above. As these non-recurring fair value measurements are generally determined using unobservable inputs, these fair value measurements are classified within Level 3 of the fair value hierarchy. Assets and liabilities measured at fair value on a non-recurring basis during the three-month and six-month periods ended June 30, 2012 include assets and liabilities subject to the Lighting Transaction, as further described in Note 2, "Discontinued Operations."

#### NOTE 16. Commitments and Contingencies

##### Guarantees and Commitments

The Company has guaranteed approximately \$38 million for lease payments related to its subsidiaries for between one and ten years. In connection with an agreement entered in 2009 with the Pension Benefit Guarantee Corporation ("PBGC"), the Company agreed to provide a guarantee by certain affiliates of contingent pension obligations of up to \$30 million, the term of this guarantee is dependent upon events as specifically set forth in the PBGC agreement.

*Litigation and Claims*

Several current and former employees of Visteon Deutschland GmbH (“Visteon Germany”) filed civil actions against Visteon Germany in various German courts beginning in August 2007 seeking damages for the alleged violation of German pension laws that prohibit the use of pension benefit formulas that differ for salaried and hourly employees without adequate justification. Several of these actions have been joined as pilot cases. In a written decision issued in April 2010, the Federal Labor Court issued a declaratory judgment in favor of the plaintiffs in the pilot cases. To date, more than 725 current and former employees have filed similar actions or have inquired as to or been granted additional benefits, and an additional 625 current and former employees are similarly situated. The Company's remaining reserve for unsettled cases is approximately \$6 million and is based on the Company's best estimate as to the number and value of the claims that will be made in connection with the pension plan. However, the Company's estimate is subject to many uncertainties which could result in Visteon Germany incurring amounts in excess of the reserved amount of up to approximately \$7 million.

The Company's operations in Brazil are subject to highly complex labor, tax, customs and other laws. While the Company believes that it is in compliance with such laws, it is periodically engaged in litigation regarding the application of these laws. As of June 30, 2012, the Company maintained accruals of approximately \$12 million for claims aggregating approximately \$137 million. The amounts accrued represent claims that are deemed probable of loss and are reasonably estimable based on the Company's assessment of the claims and prior experience with similar matters.

On May 28, 2009, the Debtors filed voluntary petitions in the Court seeking reorganization relief under the provisions of chapter 11 of the Bankruptcy Code. The Debtors' chapter 11 cases have been assigned to the Honorable Christopher S. Sontchi and are being jointly administered as Case No. 09-11786. The Debtors continued to operate their business as debtors-in-possession under the jurisdiction of the Court and in accordance with the applicable provisions of the Bankruptcy Code and the orders of the Court until their emergence on October 1, 2010. Under section 362 of the Bankruptcy Code, the filing of a bankruptcy petition automatically stayed most actions against a debtor, including most actions to collect pre-petition indebtedness or to exercise control over the property of the debtor's estate. Substantially all pre-petition liabilities and claims relating to rejected executory contracts and unexpired leases have been settled under the Debtor's plan of reorganization, however, the ultimate amounts to be paid in settlement of each those claims will continue to be subject to the uncertain outcome of litigation, negotiations and Court decisions for a period of time after the Effective Date.

In December of 2009, the Court granted the Debtors' motion in part authorizing them to terminate or amend certain other postretirement employee benefits, including health care and life insurance. On December 29, 2009, the IUE-CWA, the Industrial Division of the Communications Workers of America, AFL-CIO, CLC, filed a notice of appeal of the Court's order with the District Court. By order dated March 31, 2010, the District Court affirmed the Court's order in all respects. On April 1, 2010, the IUE filed a notice of appeal. On July 13, 2010, the Circuit Court reversed the order of the District Court as to the IUE-CWA and directed the District Court to, among other things, direct the Court to order the Company to take whatever action is necessary to immediately restore terminated or modified benefits to their pre-termination/modification levels. On July 27, 2010, the Company filed a Petition for Rehearing or Rehearing En Banc requesting that the Circuit Court review the panel's decision, which was denied. By orders dated August 30, 2010, the Court ruled that the Company should restore certain other postretirement employee benefits to the appellant-retirees and also to salaried retirees and certain retirees of the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (“UAW”). On September 1, 2010, the Company filed a Notice of Appeal to the District Court of the Court's decision to include non-appealing retirees, and on September 15, 2010 the UAW filed a Notice of Cross-Appeal. On July 25, 2012, the District Court ruled in the Company's favor on both appeals. The Company reached an agreement with the original appellants in late-September 2010, which resulted in the Company not restoring other postretirement employee benefits of such retirees. On September 30, 2010, the UAW filed a complaint, which it amended on October 1, 2010, in the United States District Court for the Eastern District of Michigan seeking, among other things, a declaratory judgment to prohibit the Company from terminating certain other postretirement employee benefits for UAW retirees after the Effective Date. The Company has filed a motion to dismiss the UAW's complaint and a motion to transfer the case to the District of Delaware, which motions are pending. In July 2011, the Company engaged in mediation with the UAW, which was not successful. As of June 30, 2012, the Company maintains an accrual for claims that are deemed probable of loss and are reasonably estimable based on the Company's assessment of the claims and prior experience with similar matters.

While the Company believes its accruals for litigation and claims are adequate, the final amounts required to resolve such matters could differ materially from recorded estimates and the Company's results of operations and cash flows could be materially affected.

### 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 the product warranty and recall claims liability for the six-month periods ended June 30, 2012 and 2011.

	Six Months Ended June 30	
	2012	2011
	(Dollars in Millions)	
Beginning balance	\$ 66	\$ 75
Accruals for products shipped	9	10
Currency	(1)	4
Changes in estimates	(1)	(6)
Settlements	(9)	(6)
Ending balance	<u>\$ 64</u>	<u>\$ 77</u>

### Environmental Matters

The Company is subject to the requirements of federal, state, local and foreign environmental and occupational safety and health laws and regulations and ordinances. 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. These sites are in various stages of investigation and cleanup. The Company currently is, has been, and in the future may become the subject of formal or informal enforcement actions or procedures.

Costs related to environmental assessments and remediation efforts at operating facilities, previously owned or operated facilities, or other waste site locations are accrued when it is probable that a liability has been incurred and the amount of that liability can be reasonably estimated. Estimated costs are recorded at undiscounted amounts, based on experience and assessments, and are regularly evaluated. The liabilities are recorded in Other current liabilities and Other non-current liabilities in the consolidated balance sheets. At June 30, 2012, the Company had recorded a reserve of approximately \$1 million for environmental matters. 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. Accordingly, although the Company believes its reserve is adequate based on current information, the Company cannot provide any assurance that its ultimate environmental investigation and cleanup costs and liabilities will not exceed the amount of its current reserve.

### Other Contingent Matters

Various 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; intellectual property rights; product warranties; product recalls; and environmental matters. Some of the foregoing matters may involve compensatory, punitive or antitrust or other treble damage claims in very large amounts, or demands for recall campaigns, environmental remediation programs, sanctions, or other relief which, if granted, would require very large expenditures. 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.

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 discussed in the immediately foregoing paragraph where losses are deemed probable and reasonably estimable. It is possible, however, that some of the matters discussed in the foregoing paragraph 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, 2012 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.

**NOTE 17. Segment Information**

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. The Company’s Chief Operating Decision Making Group (“CODM Group”), comprised of the Chief Executive Officer (“CEO”) 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, Adjusted EBITDA (as defined below) and operating assets. Gross margin is defined as total sales less costs to manufacture and product development and engineering expenses. The Company defines Adjusted EBITDA as net income attributable to the Company, plus net interest expense, provision for income taxes and depreciation as further adjusted to eliminate the impact of asset impairments, gains or losses on divestitures, net restructuring expenses and other reimbursable costs, certain charges, reorganization items and other non-operating gains and losses. Operating assets include inventories and property and equipment utilized in the manufacture of the segments’ products.

In April 2011, the Company announced a new operating structure for use by the CODM Group in managing the business based on specific global product lines rather than reporting at a broader global product group level as historically utilized by the CODM Group. Under prior global product groups, the results of each of the Company’s facilities were grouped for reporting purposes into segments based on the predominant product line offering of the respective facility, as separate product line results within each facility were not historically available. During the second quarter of 2011 the Company completed the process of realigning systems and reporting structures to facilitate financial reporting under the revised organizational structure such that the results for each product line within each facility can be separately identified. The information reviewed by the CODM Group has been updated to reflect the new structure. The financial results included below have been recast for all periods to reflect the updated structure.

The Company’s operating structure is organized by global product lines, including: Climate, Electronics and Interiors. These global product lines have financial and operating responsibility over the design, development and manufacture of the Company’s product portfolio. Global customer groups are responsible for the business development of the Company’s product portfolio and overall customer relationships. Certain functions such as procurement, information technology and other administrative activities are managed on a global basis with regional deployment. The Company’s reportable segments are as follows:

- Climate — The Company’s Climate product line includes climate air handling modules, powertrain cooling modules, heat exchangers, compressors, fluid transport and engine induction systems.
- Electronics — The Company’s Electronics product line includes audio systems, infotainment systems, driver information systems, powertrain and feature control modules, climate controls, and electronic control modules.
- Interiors — The Company’s Interiors product line includes instrument panels, cockpit modules, door trim and floor consoles.

*Segment Sales and Gross Margin*

	Sales				Gross Margin			
	Three Months Ended		Six Months Ended		Three Months Ended		Six Months Ended	
	June 30		June 30		June 30		June 30	
	2012	2011	2012	2011	2012	2011	2012	2011
	(Dollars in Millions)							
Climate	\$ 1,065	\$ 1,058	2,088	2,037	\$ 81	\$ 93	\$ 170	\$ 178
Electronics	299	351	621	709	30	37	57	74
Interiors	357	677	757	1,248	17	62	35	83
Eliminations	(28)	(40)	(56)	(98)	—	—	—	—
Total consolidated	\$ 1,693	\$ 2,046	3,410	3,896	\$ 128	\$ 192	\$ 262	\$ 335



# Segment Adjusted EBITDA

Through March 31, 2012, the Company evaluated performance based on Adjusted EBITDA on a consolidated basis as a performance measure and for planning and forecasting activities. Effective April 1, 2012, the Company began utilizing Adjusted EBITDA as a key performance measure considering key transformation efforts including the sale of the Company's lighting business completed on July 31, 2012. Adjusted EBITDA by segment for the three and six months ended June 30, 2012 and 2011 is presented below:

	Adjusted EBITDA			
	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2012	2011	2012	2011
(Dollars in Millions)				
Climate	\$ 75	\$ 82	\$ 146	\$ 159
Electronics	23	34	45	63
Interiors	43	80	86	125
Discontinued operations	10	7	24	16
Total consolidated	<u>\$ 151</u>	<u>\$ 203</u>	<u>\$ 301</u>	<u>\$ 363</u>

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 Visteon, plus net interest expense, provision for income taxes and depreciation and amortization, as further adjusted to eliminate the impact of asset impairments, gains or losses on divestitures, net restructuring expenses and other reimbursable costs, certain employee charges and benefits, reorganization items, and other non-operating gains and losses. Additionally, amounts below are inclusive of the Company's discontinued operations. Because not all companies use identical calculations this presentation of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

Adjusted EBITDA is not a recognized term under 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) the Company's credit agreements use measures similar to Adjusted EBITDA to measure compliance with certain debt covenants.

A reconciliation of Adjusted EBITDA to Net income attributable to Visteon is as follows:

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2012	2011	2012	2011
(Dollars in Millions)				
Net income attributable to Visteon	\$ 75	\$ 26	\$ 46	\$ 65
Interest expense, net	6	7	15	16
Loss on debt extinguishment	—	24	—	24
Provision for income taxes	42	34	69	62
Depreciation and amortization	67	79	131	151
Restructuring and other expenses	11	26	74	28
Equity investment gain	(63)	—	(63)	—
Other non-recurring costs, net	2	—	7	5
Discontinued operations	11	7	22	12
Total Adjusted EBITDA	<u>\$ 151</u>	<u>\$ 203</u>	<u>\$ 301</u>	<u>\$ 363</u>

# Segment Operating Assets

	Inventories, net		Property and Equipment, net	
	June 30	December 31	June 30	December 31
	2012	2011	2012	2011
	(Dollars in Millions)			
Climate	\$ 270	\$ 236	\$ 929	\$ 934
Electronics	60	66	119	144
Interiors	47	47	161	171
Other	3	32	—	42
Total product groups	380	381	1,209	1,291
Corporate	—	—	55	121
Total consolidated	\$ 380	\$ 381	\$ 1,264	\$ 1,412

Other includes assets of the Company's discontinued Lighting operations as of December 31, 2011 (Inventories, net of \$31 million and Property and equipment, net of \$42 million). These assets were classified as "Other current assets" as of June 30, 2012. See Note 2, "Discontinued Operations" for further details.

## NOTE 18. Condensed Consolidating Financial Information of Guarantor Subsidiaries

On April 6, 2011, the Company completed the sale of \$500 million aggregate principal amount of 6.75% senior notes due April 15, 2019 (the "Original Senior Notes"). In January 2012, the Company exchanged substantially identical senior notes (the "Senior Notes") that have been registered under Securities Act of 1933, as amended, for all of the Original Senior Notes. The Senior Notes were issued under an Indenture (the "Indenture"), among the Company, the subsidiary guarantors named therein, and The Bank of New York Mellon Trust Company, N.A., as trustee. The Indenture and the form of Senior Notes provide, among other things, that the Senior Notes be senior unsecured obligations of the Company. Interest is payable on the Senior Notes on April 15 and October 15 of each year beginning on October 15, 2011 until maturity. Each of the Company's existing and future wholly owned domestic restricted subsidiaries that guarantee debt under the Company's revolving loan credit agreement guarantee the Senior Notes.

### Guarantor Financial Statements

Certain subsidiaries of the Company (as listed below, collectively the "Guarantor Subsidiaries") have guaranteed fully and unconditionally, on a joint and several basis, the obligation to pay principal and interest under the Company's revolving loan credit agreement and the Senior Notes. The Guarantor Subsidiaries include: Visteon Electronics Corporation; Visteon European Holdings, Inc.; Visteon Global Treasury, Inc.; Visteon International Business Development, Inc.; Visteon International Holdings, Inc.; Visteon Global Technologies, Inc.; Visteon Systems, LLC; and VC Aviation Services, LLC.

The guarantor financial statements are comprised of the following condensed consolidating financial information:

- The Parent Company, the issuer of the guaranteed obligations;
- Guarantor subsidiaries, on a combined basis, as specified in the Indenture related to the Senior Notes;
- Non-guarantor subsidiaries, on a combined basis;
- Consolidating entries and eliminations representing adjustments to (a) eliminate intercompany transactions between or among the Parent Company, the guarantor subsidiaries and the non-guarantor subsidiaries, (b) eliminate the investments in subsidiaries, and (c) record consolidating entries.

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

**VISTEON CORPORATION**  
**CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME**

Three Months Ended June 30, 2012					
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(Dollars in Millions)				
<b>Sales</b>	\$ 61	\$ 350	\$ 1,576	\$ (294)	\$ 1,693
<b>Cost of sales</b>	119	291	1,449	(294)	1,565
<b>Gross margin</b>	(58)	59	127	—	128
Selling, general and administrative expenses	19	15	53	—	87
Restructuring and other expenses	8	—	3	—	11
<b>Operating (loss) income</b>	(85)	44	71	—	30
Interest expense (income)	9	(1)	(2)	—	6
Equity in net income of non-consolidated affiliates	—	—	103	—	103
<b>(Loss) income from continuing operations before income taxes and earnings of subsidiaries</b>	(94)	45	176	—	127
Provision for income taxes	1	—	41	—	42
<b>(Loss) income from continuing operations before earnings of subsidiaries</b>	(95)	45	135	—	85
Equity in earnings of consolidated subsidiaries	173	122	—	(295)	—
<b>Income from continuing operations</b>	78	167	135	(295)	85
(Loss) income from discontinued operations, net of tax	(3)	15	(13)	—	(1)
<b>Net income</b>	75	182	122	(295)	84
Net income attributable to non-controlling interests	—	—	9	—	9
<b>Net income attributable to Visteon Corporation</b>	\$ 75	\$ 182	\$ 113	\$ (295)	\$ 75
<b>Comprehensive income:</b>					
Comprehensive income	\$ 31	\$ 131	\$ 60	\$ (191)	\$ 31
Comprehensive income attributable to Visteon Corporation	\$ 31	\$ 131	\$ 58	\$ (191)	\$ 29

Three Months Ended June 30, 2011					
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(Dollars in Millions)				
<b>Sales</b>	\$ 50	\$ 404	\$ 1,922	\$ (330)	\$ 2,046
<b>Cost of sales</b>	108	320	1,756	(330)	1,854
<b>Gross margin</b>	(58)	84	166	—	192
Selling, general and administrative expenses	27	18	55	—	100
Restructuring and other expenses	7	—	19	—	26
<b>Operating (loss) income</b>	(92)	66	92	—	66
Interest expense (income)	8	(2)	1	—	7
Loss on debt extinguishment	24	—	—	—	24
Equity in net income of non-consolidated affiliates	—	—	43	—	43
<b>(Loss) income from continuing operations before income taxes and earnings of subsidiaries</b>	(124)	68	134	—	78
(Benefit) provision for income taxes	(5)	—	39	—	34
<b>(Loss) income from continuing operations before earnings of subsidiaries</b>	(119)	68	95	—	44
Equity in earnings of consolidated subsidiaries	154	75	—	(229)	—
<b>Income from continuing operations</b>	35	143	95	(229)	44
(Loss) income from discontinued operations, net of tax	(9)	17	(8)	—	—
<b>Net income</b>	26	160	87	(229)	44
Net income attributable to non-controlling interests	—	—	18	—	18
<b>Net income attributable to Visteon Corporation</b>	\$ 26	\$ 160	\$ 69	\$ (229)	\$ 26
<b>Comprehensive income:</b>					
Comprehensive income	\$ 66	\$ 210	\$ 131	\$ (314)	\$ 93
Comprehensive income attributable to Visteon Corporation	\$ 66	\$ 210	\$ 104	\$ (314)	\$ 66

Six Months Ended June 30, 2012

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (Dollars in Millions)	Eliminations	Consolidated
<b>Sales</b>	\$ 102	\$ 718	\$ 3,192	\$ (602)	\$ 3,410
<b>Cost of sales</b>	219	591	2,940	(602)	3,148
<b>Gross margin</b>	(117)	127	252	—	262
Selling, general and administrative expenses	34	33	111	—	178
Restructuring and other expenses	16	—	58	—	74
<b>Operating (loss) income</b>	(167)	94	83	—	10
Interest expense (income)	19	(2)	(2)	—	15
Equity in net income of non-consolidated affiliates	—	—	145	—	145
<b>(Loss) income from continuing operations before income taxes and earnings of subsidiaries</b>	(186)	96	230	—	140
Provision for income taxes	1	—	68	—	69
<b>(Loss) income from continuing operations before earnings of subsidiaries</b>	(187)	96	162	—	71
Equity in earnings of consolidated subsidiaries	245	119	—	(364)	—
<b>Income from continuing operations</b>	58	215	162	(364)	71
(Loss) income from discontinued operations, net of tax	(12)	38	(24)	—	2
<b>Net income</b>	46	253	138	(364)	73
Net income attributable to non-controlling interests	—	—	27	—	27
<b>Net income attributable to Visteon Corporation</b>	<u>\$ 46</u>	<u>\$ 253</u>	<u>\$ 111</u>	<u>\$ (364)</u>	<u>\$ 46</u>
<b>Comprehensive income:</b>					
Comprehensive income	\$ 42	\$ 247	\$ 137	\$ (359)	\$ 67
Comprehensive income attributable to Visteon Corporation	<u>\$ 42</u>	<u>\$ 247</u>	<u>\$ 110</u>	<u>\$ (359)</u>	<u>\$ 40</u>

Six Months Ended June 30, 2011

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (Dollars in Millions)	Eliminations	Consolidated
<b>Sales</b>	\$ 88	\$ 772	\$ 3,646	\$ (610)	\$ 3,896
<b>Cost of sales</b>	207	598	3,366	(610)	3,561
<b>Gross margin</b>	(119)	174	280	—	335
Selling, general and administrative expenses	50	31	115	—	196
Restructuring and other expenses	11	—	17	—	28
<b>Operating (loss) income</b>	(180)	143	148	—	111
Interest expense (income)	20	(5)	1	—	16
Loss on debt extinguishment	24	—	—	—	24
Equity in net income of non-consolidated affiliates	—	—	87	—	87
<b>(Loss) income from continuing operations before income taxes and earnings of subsidiaries</b>	(224)	148	234	—	158
(Benefit) provision for income taxes	(5)	(2)	69	—	62
<b>(Loss) income from continuing operations before earnings of subsidiaries</b>	(219)	150	165	—	96
Equity in earnings of consolidated subsidiaries	298	147	—	(445)	—
<b>Income from continuing operations</b>	79	297	165	(445)	96
(Loss) income from discontinued operations, net of tax	(14)	27	(9)	—	4
<b>Net income</b>	65	324	156	(445)	100
Net income attributable to non-controlling interests	—	—	35	—	35
<b>Net income attributable to Visteon Corporation</b>	<u>\$ 65</u>	<u>\$ 324</u>	<u>\$ 121</u>	<u>\$ (445)</u>	<u>\$ 65</u>
<b>Comprehensive income:</b>					
Comprehensive income	\$ 158	\$ 432	\$ 240	\$ (618)	\$ 212
Comprehensive income attributable to Visteon Corporation	<u>\$ 158</u>	<u>\$ 432</u>	<u>\$ 186</u>	<u>\$ (618)</u>	<u>\$ 158</u>

**VISTEON CORPORATION**  
**CONDENSED CONSOLIDATING BALANCE SHEETS**

June 30, 2012					
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
(Dollars in Millions)					
<b>ASSETS</b>					
Cash and equivalents	\$ 176	\$ 60	\$ 445	\$ —	\$ 681
Accounts receivable, net	338	754	1,128	(1,054)	1,166
Inventories, net	12	22	346	—	380
Other current assets	38	43	370	—	451
<b>Total current assets</b>	<b>564</b>	<b>879</b>	<b>2,289</b>	<b>(1,054)</b>	<b>2,678</b>
Property and equipment, net	23	73	1,168	—	1,264
Investment in affiliates	2,038	1,574	—	(3,612)	—
Equity in net assets of non-consolidated affiliates	—	—	714	—	714
Intangible assets, net	79	55	194	—	328
Other non-current assets	11	23	53	(27)	60
<b>Total assets</b>	<b>\$ 2,715</b>	<b>\$ 2,604</b>	<b>\$ 4,418</b>	<b>\$ (4,693)</b>	<b>\$ 5,044</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Short-term debt, including current portion of long-term debt	\$ 248	\$ 19	\$ 256	\$ (429)	\$ 94
Accounts payable	203	278	1,209	(623)	1,067
Other current liabilities	48	31	321	(2)	398
<b>Total current liabilities</b>	<b>499</b>	<b>328</b>	<b>1,786</b>	<b>(1,054)</b>	<b>1,559</b>
Long-term debt	499	—	31	(27)	503
Employee benefits	238	31	139	—	408
Other non-current liabilities	46	7	393	—	446
Shareholders' equity:					
<b>Total Visteon Corporation shareholders' equity</b>	<b>1,433</b>	<b>2,238</b>	<b>1,374</b>	<b>(3,612)</b>	<b>1,433</b>
Non-controlling interests	—	—	695	—	695
<b>Total shareholders' equity</b>	<b>1,433</b>	<b>2,238</b>	<b>2,069</b>	<b>(3,612)</b>	<b>2,128</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 2,715</b>	<b>\$ 2,604</b>	<b>\$ 4,418</b>	<b>\$ (4,693)</b>	<b>\$ 5,044</b>

	December 31, 2011									
	Parent Company		Guarantor Subsidiaries		Non-Guarantor Subsidiaries		Eliminations		Consolidated	
	(Dollars in Millions)									
ASSETS										
Cash and equivalents	\$	114	\$	55	\$	554	\$	—	\$	723
Accounts receivable, net		235		540		1,015		(719)		1,071
Inventories, net		18		25		338		—		381
Other current assets		29		53		237		—		319
<b>Total current assets</b>		396		673		2,144		(719)		2,494
Property and equipment, net		89		81		1,242		—		1,412
Investment in affiliates		1,873		1,533		—		(3,406)		—
Equity in net assets of non-consolidated affiliates		—		—		644		—		644
Intangible assets, net		82		59		212		—		353
Other non-current assets		14		23		55		(26)		66
<b>Total assets</b>	\$	2,454	\$	2,369	\$	4,297	\$	(4,151)	\$	4,969
LIABILITIES AND SHAREHOLDERS' EQUITY										
Short-term debt, including current portion of long-term debt	\$	90	\$	13	\$	217	\$	(233)	\$	87
Accounts payable		170		210		1,116		(486)		1,010
Other current liabilities		70		21		365		—		456
<b>Total current liabilities</b>		330		244		1,698		(719)		1,553
Long-term debt		497		—		41		(26)		512
Employee benefits		301		47		147		—		495
Other non-current liabilities		19		5		388		—		412
Shareholders' equity:										
<b>Total Visteon Corporation shareholders' equity</b>		1,307		2,073		1,333		(3,406)		1,307
Non-controlling interests		—		—		690		—		690
<b>Total shareholders' equity</b>		1,307		2,073		2,023		(3,406)		1,997
<b>Total liabilities and shareholders' equity</b>	\$	2,454	\$	2,369	\$	4,297	\$	(4,151)	\$	4,969

**VISTEON CORPORATION**  
**CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS**

	Six Months Ended June 30, 2012									
	Parent Company		Guarantor Subsidiaries		Non-Guarantor Subsidiaries		Eliminations		Consolidated	
	(Dollars in Millions)									
Net cash (used by) provided from operating activities	\$	(30)	\$	13	\$	24	\$	—	\$	7
<b>Investing activities</b>										
Capital expenditures		(2)		(4)		(96)		—		(102)
Dividends received from consolidated subsidiaries		16		10		—		(26)		—
Proceeds from asset sales		79		—		1		—		80
Other		—		—		(2)		—		(2)
Net cash provided from (used by) investing activities		93		6		(97)		(26)		(24)
<b>Financing activities</b>										
Short-term debt, net		—		—		4		—		4
Proceeds from issuance of debt, net of issuance costs		—		—		2		—		2
Principal payments on debt		(1)		—		(3)		—		(4)
Dividends paid to consolidated subsidiaries		—		(15)		(11)		26		—
Dividends to non-controlling interests		—		—		(22)		—		(22)
Net cash used by financing activities		(1)		(15)		(30)		26		(20)
Effect of exchange rate changes on cash and equivalents		—		1		(6)		—		(5)
Net increase (decrease) in cash and equivalents		62		5		(109)		—		(42)
Cash and equivalents at beginning of period		114		55		554		—		723
Cash and equivalents at end of period	\$	176	\$	60	\$	445	\$	—	\$	681

	Six Months Ended June 30, 2011					
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated	
	(Dollars in Millions)					
Net cash (used by) provided from operating activities	\$ (84)	\$ (97)	\$ 201	\$ —	\$ 20	
<b>Investing activities</b>						
Capital expenditures	(8)	(5)	(113)	—	(126)	
Dividends received from consolidated subsidiaries	27	118	—	(145)	—	
Proceeds from asset sales	—	—	10	—	10	
Other	—	—	(5)	—	(5)	
Net cash provided from (used by) investing activities	19	113	(108)	(145)	(121)	
<b>Financing activities</b>						
Cash restriction, net	54	—	(2)	—	52	
Short term debt, net	—	—	9	—	9	
Proceeds from issuance of debt, net of issuance costs	492	—	10	—	502	
Principal payments on debt	(500)	—	(6)	—	(506)	
Dividends paid to consolidated subsidiaries	—	(27)	(118)	145	—	
Rights offering fees	(33)	—	—	—	(33)	
Dividends to non-controlling interests	—	—	(24)	—	(24)	
Net cash provided from (used by) financing activities	13	(27)	(131)	145	—	
Effect of exchange rate changes on cash and equivalents	—	6	29	—	35	
Net (decrease) in cash and equivalents	(52)	(5)	(9)	—	(66)	
Cash and equivalents at beginning of period	153	81	671	—	905	
Cash and equivalents at end of period	\$ 101	\$ 76	\$ 662	\$ —	\$ 839	

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

Management’s Discussion and Analysis (“MD&A”) is intended to help the reader understand the results of operations, financial condition and cash flows of Visteon Corporation (“Visteon” or the “Company”). MD&A is provided as a supplement to, and should be read in conjunction with, the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2011, as filed with the Securities and Exchange Commission on February 27, 2011 and the financial statements and accompanying notes to the financial statements included elsewhere herein.

### Executive Summary

#### Description of Business

Visteon is a global supplier of climate, electronics, and interiors systems, modules and components to automotive original equipment manufacturers (“OEMs”) including BMW, Chrysler, Daimler, Ford, General Motors, Honda, Hyundai, Kia, Nissan, PSA Peugeot Citroën, Renault, Toyota and Volkswagen. The Company has a broad network of manufacturing operations, technical centers and joint venture operations throughout the world, supported by approximately 26,000 employees dedicated to the design, development, manufacture and support of its product offering and its global customers.

#### Automotive Industry

The Company conducts its business in the automotive industry, which is capital intensive, highly competitive and sensitive to economic conditions. During the first six months of 2012, the global automotive industry experienced modest growth fueled by demand from certain emerging markets, which, along with improvements in North America light vehicle sales and production, more than offset declines in Europe and South America. Light vehicle sales and production levels by geographic region are provided below for the three and six-month periods ended June 30, 2012 and 2011.

Light Vehicle Sales				Light Vehicle Production				Light Vehicle Sales				Light Vehicle Production			
Three Months Ended June 30				Three Months Ended June 30				Six Months Ended June 30				Six Months Ended June 30			
2012	2011	Change		2012	2011	Change		2012	2011	Change		2012	2011	Change	
(Production Units in Millions)															
Global	20.3	18.7	8.4 %	20.3	18.4	10.7 %		40.3	38.0	6.1 %		41.4	38.0	9.0 %	
North America	4.5	4.0	14.8 %	4.0	3.1	27.1 %		8.6	7.6	13.8 %		7.9	6.5	22.1 %	
South America	1.3	1.3	0.3 %	1.0	1.1	(9.0)%		2.6	2.5	1.1 %		2.0	2.2	(7.9)%	
Europe	4.9	5.2	(6.1)%	4.9	5.3	(7.2)%		9.6	10.2	(5.6)%		10.2	10.6	(4.5)%	
China	4.8	4.1	18.1 %	4.5	4.0	13.9 %		9.6	8.8	9.2 %		9.2	8.5	8.0 %	
Japan/Korea	1.6	1.2	40.6 %	3.5	2.6	34.3 %		3.6	2.7	36.6 %		7.3	5.5	34.3 %	
India	0.8	0.7	6.7 %	0.9	0.9	3.6 %		1.7	1.5	11.1 %		2.0	1.8	7.4 %	
ASEAN	0.6	0.6	5.0 %	0.8	0.7	25.8 %		1.3	1.3	(1.3)%		1.7	1.5	11.2 %	

Source: IHS Automotive

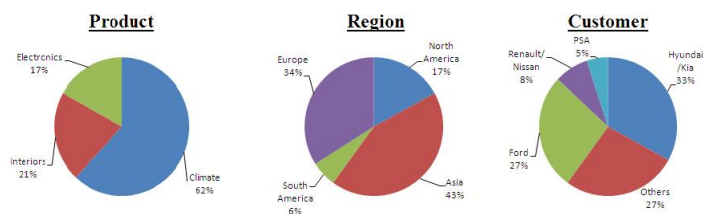
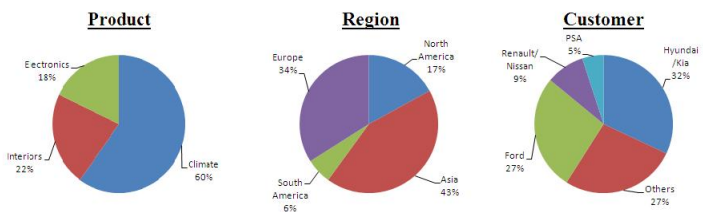
North America light vehicle sales increased during the three and six-month periods ended June 30, 2012. Higher sales levels and inventory restocking by Japanese OEMs have both contributed to increased production levels in North America during these time periods. European light vehicle production and sales were sharply lower in the three and six-month periods ended June 30, 2012 as weakened economic conditions resulting from the region's sovereign-debt crisis lowered consumer confidence. In March 2012, European new-car sales dropped to a 14-year monthly low. Production overcapacity in Europe has recently prompted certain OEMs to announce significant production cuts and plant closures, which are expected to result in further declines in the second half of 2012. Light vehicle production in South America decreased during the three and six-month periods ended June 30, 2012, reflecting lower sales on weak demand for vehicles in Brazil. However, automotive sales in Brazil began to improve in June 2012 largely due to government tax incentives and favorable bank lending programs.

Further deterioration of market conditions, primarily in Europe, resulting in a sustained adverse impact on the global automotive sector could cause a decrease in the Company’s financial results, including potential asset impairments.



**Financial Results Summary**

The Company's sales for the three and six-month periods ended June 30, 2012 were distributed by product group, geographic region, and customer as follows:

**Three Months Ended June 30, 2012****Six Months Ended June 30, 2012**

Visteon recorded net sales of \$1,693 million for the second quarter of 2012, a decrease of \$353 million from the same period in 2011. For the six months ended June 30, 2012, the Company recorded sales of \$3,410 million, a decrease of \$486 million compared to 2011. The deconsolidation of Duckyang Industry Co. Ltd., a Korean interiors joint venture, decreased sales by \$187 million and \$301 million for the three and six months ended June 30, 2012, respectively. Sales for the three and six months ended June 30, 2012 were also impacted by unfavorable currency of \$108 million and \$141 million, respectively. Lower production volumes primarily in Europe and South America, unfavorable product mix, customer pricing, and the non-recurrence of customer agreements that benefited second quarter 2011 results, as partially offset by new business contributed to the remaining decreases in sales for the three and six months ended June 30, 2012.

For the second quarter of 2012, the Company reported net income attributable to Visteon of \$75 million, or \$1.40 per diluted share. For the six months ended June 30, 2012, the Company reported net income attributable to Visteon of \$46 million, or \$0.86 per diluted share. Net income for the three and six months ended June 30, 2012 included \$63 million of equity in the net income of non-consolidated affiliates from a non-cash gain at Yanfeng Visteon Automotive Trim Systems Co. Ltd ("Yanfeng") related to the excess of fair value over carrying value of a former equity investee that was consolidated June 1, 2012 pursuant to changes in the underlying joint venture agreement.

For the six months ended June 30, 2012 and 2011 cash provided from operating activities was \$7 million and \$20 million, respectively. As of June 30, 2012, Visteon had global cash balances of \$702 million, including \$21 million of restricted cash. Total debt was \$597 million as of June 30, 2012.

**Strategic Transformation**

On May 28, 2009, Visteon and certain of its U.S. subsidiaries (the "Debtors") filed voluntary petitions for reorganization relief under chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Court") (the "Chapter 11 Proceedings") in response to sudden and severe declines in global automotive production during the latter part of 2008 and early 2009 and the resulting adverse impact on the Company's cash flows and liquidity.

On August 31, 2010 (the “Confirmation Date”), the Court entered an order (the “Confirmation Order”) confirming the Debtors’ joint plan of reorganization (as amended and supplemented, the “Plan”). On October 1, 2010 (the “Effective Date”), all conditions precedent to the effectiveness of the Plan and related documents were satisfied or waived and the Company emerged from bankruptcy and became a new entity for financial reporting purposes. Accordingly, the consolidated financial statements for the reporting entity subsequent to the Effective Date (the “Successor”) are not comparable to the consolidated financial statements for the reporting entity prior to the Effective Date (the “Predecessor”).

Following emergence from the Chapter 11 Proceedings, the Company continued its efforts to transform its business portfolio and to rationalize its cost structure including, among other things, the investigation of potential transactions for the sale, merger or other combination of certain businesses. Related business transformation costs of \$10 million and \$18 million were incurred during the three and six months ended June 30, 2012, respectively, which relate to financial and advisory fees associated with the Company’s continued efforts to transform its business portfolio and to rationalize its cost structure.

On August 1, 2012 Visteon agreed to sell its 50% equity share of R-Tek Ltd., a UK-based Interiors joint venture, for proceeds of approximately \$30 million.

On August 1, 2012 the Company completed the sale of its Lighting business for cash proceeds of \$72 million, subject to purchase price adjustments. The results of operations of the Lighting business have been reclassified to “(Loss) income from discontinued operations, net of tax” in the Consolidated Statements of Comprehensive Income for the three-month and six-month periods ended June 30, 2012 and June 30, 2011, respectively. The Lighting business recorded sales for the year ended December 31, 2011 of \$531 million.

On July 4, 2012 Visteon, through its wholly-owned Korean subsidiary, Visteon Korea Holdings Corp., commenced a cash tender offer to purchase the remaining 30 percent (32.0 million shares) of Halla Climate Control Corporation (“Halla”) for 913 billion Korean Won (“KRW”), or approximately \$805 million. The tender offer, which remained open for 20 days, was conditioned on shareholders tendering a minimum of 26.7 million shares, for a total Visteon ownership of at least 95 percent. Visteon offered 28,500 KRW per share, representing a premium of approximately 15 percent to Halla’s share trading price on the Korean stock exchange on July 4, 2012. On July 24, 2012 the tender offer expired without acceptance of the tendered shares, due to the 95 percent condition not being satisfied.

In July 2012, Visteon and Yanfeng, a 50% owned non-consolidated affiliate of the Company, terminated their non-binding memorandum of understanding signed by the parties in late 2011 with respect to a potential transaction that would have combined the majority of Visteon’s Interiors business with Yanfeng.

#### *Restructuring*

In January 2012 the Company reached agreements with local unions and the Spanish government for the closure of its Cadiz Electronics operation in El Puerto de Santa Maria, Spain. The agreements were subsequently ratified by employees in February 2012. The Company recorded approximately \$50 million of restructuring and other expenses and made cash payments of approximately \$54 million during the first half of 2012 related to this action. The Company anticipates that additional cash payments of approximately \$1 million will be made during the remainder of 2012.

Additionally, the Company continues to progress efforts designed to commonize global business systems and processes across its Climate operations for the purpose of reducing costs.

## Consolidated Results of Operations - Three Months Ended June 30, 2012 and 2011

The Company's consolidated results of operations for the three months ended June 30, 2012 and 2011 were as follows:

	Three Months Ended June 30		
	2012	2011	Change
	(Dollars in Millions)		
Sales	\$ 1,693	\$ 2,046	\$ (353)
Cost of sales	1,565	1,854	(289)
Gross margin	128	192	(64)
Selling, general and administrative expenses	87	100	(13)
Restructuring and other expenses	11	26	(15)
Operating income	30	66	(36)
Interest expense, net	6	7	(1)
Loss on debt extinguishment	—	24	(24)
Equity in net income of non-consolidated affiliates	103	43	60
Income before income taxes	127	78	49
Provision for income taxes	42	34	8
Income from continuing operations	85	44	41
(Loss) income from discontinued operations	(1)	—	(1)
Net income	84	44	40
Net income attributable to non-controlling interests	9	18	(9)
Net income attributable to Visteon	\$ 75	\$ 26	\$ 49
Adjusted EBITDA*	\$ 151	\$ 203	\$ (52)

\* Adjusted EBITDA is a Non-GAAP financial measure, as further discussed below.

### Sales

The Company's consolidated sales totaled \$1,693 million for the three-month period ended June 30, 2012, which represents a decrease of \$353 million when compared to the same period of 2011. Approximately \$187 million of this decrease is due to the deconsolidation of Duckyang Industry Co. Ltd ("Duckyang"), an Interiors joint venture, which resulted from the October 2011 sale of a controlling ownership interest in the entity. Unfavorable currency of \$108 million, primarily attributable to the Euro and Korean Won currencies, also contributed significantly to the decline from the prior year. Production volumes and unfavorable product mix decreased sales by \$6 million, primarily associated with production volume declines in Europe and South America, as partially offset by growth in Asia. Additionally, other reductions of \$52 million were associated with price productivity net of design actions and commercial agreements.

### Gross Margin

The Company recorded gross margin of \$128 million for the three-month period ended June 30, 2012 compared to \$192 million for the same period of 2011. The decrease in gross margin of \$64 million was associated with cost performance of \$30 million, unfavorable currency of \$20 million, unfavorable product mix of \$18 million, and the impact of the Duckyang deconsolidation of \$4 million. Cost performance was primarily driven by price productivity and commercial agreements in excess of material and manufacturing efficiencies. Lower depreciation and amortization expenses on tangible and intangible assets was a partial offset, which improved gross margin by \$10 million.

### Selling, General and Administrative Expenses

Selling, general, and administrative expenses were \$87 million and \$100 million during the three-month periods ended June 30, 2012 and 2011, respectively. The decrease was primarily due to reduced employee overhead costs of \$18 million and \$3 million related to foreign currency, partially offset by increased corporate office rent expense and professional fees.

### Restructuring and Other Expenses

Restructuring and other expenses consist of the following:

	Three Months Ended June 30	
	2012	2011
	(Dollars in Millions)	
Restructuring expenses	\$ 1	\$ 19
Transformation costs	10	2
Bankruptcy related costs	—	5
	\$ 11	\$ 26

During the three-month period ended June 30, 2011, the Company recorded approximately \$21 million for severance and termination benefits related to the closure of its Cadiz Electronics operation. Additionally, the Company reversed approximately \$2 million of previously recorded restructuring accruals due to lower than estimated severance and termination benefit costs associated with the consolidation of the Company's Electronics operations in South America. The following is a summary of the Company's consolidated restructuring reserves and related activity for the three-month period ended June 30, 2012.

	Electronics	Interiors	Climate	Total
	(Dollars in Millions)			
Restructuring reserve - March 31, 2012	\$ 6	\$ 7	\$ 1	\$ 14
Expenses	—	—	1	1
Utilization	(5)	—	(1)	(6)
Restructuring reserve - June 30, 2012	\$ 1	\$ 7	\$ 1	\$ 9

Utilization of \$6 million during the second quarter of 2012 represents payments of \$2 million for employee severance and termination benefits in relation to previously announced restructuring actions and \$4 million in connection with the asset contribution for the previously announced Cadiz exit. Given the economically-sensitive and highly competitive nature of the automotive industry, the Company continues to closely monitor current market factors and industry trends taking action as necessary, including but not limited to, additional restructuring actions. However, there can be no assurance that such actions will be sufficient to fully offset the impact of adverse factors on the Company or its results of operations, financial position and cash flows.

The Company continued its efforts to transform its business portfolio and to rationalize its cost structure including, among other things, the investigation of potential transactions for the sale, merger or other combination of certain businesses. Business transformation costs of \$10 million and \$2 million incurred during the three-month periods ended June 30, 2012 and 2011, respectively, relate principally to financial and advisory fees. The Company recorded bankruptcy-related costs of \$5 million for the three-month period ended June 30, 2011, which are comprised of amounts directly associated with the bankruptcy claims settlement process under Chapter 11.

### Interest Expense, Net

Interest expense for the three-month period ended June 30, 2012 of \$10 million included \$9 million associated with the 6.75% senior notes due April 15, 2019, and \$1 million associated with affiliate debt, commitment fees and amortization of debt issuance costs. During the three-month period ended June 30, 2011, interest expense was \$12 million, including \$8 million associated with the 6.75% senior notes due April 15, 2019, \$1 million related to the Company's \$500 million secured term loan due October 1, 2017, \$2 million on affiliate debt and \$1 million related to the amortization of secured term loan deferred costs. Interest income of \$4 million for three months ended June 30, 2012 decreased by \$1 million compared to \$5 million for the same period of 2011 due to lower average cash balances.

### Loss on Debt Extinguishment

On April 6, 2011, the Company completed the sale of \$500 million aggregate principal amount of 6.75% senior notes due April 15, 2019. Concurrently with the completion of the sale of the Senior Notes, the Company repaid its obligations under the Term Loan Credit Agreement and recorded a loss on early extinguishment of \$24 million for unamortized original issue discount, debt fees and other debt issue costs associated with the Term Loan Credit Agreement.

### Equity in Net Income of Non-consolidated Affiliates

Equity in the net income of non-consolidated affiliates totaled \$103 million and \$43 million for the three-month periods ended June 30, 2012 and 2011, respectively, representing an increase of \$60 million. Equity earnings for the three months ended June 30, 2012 included \$63 million representing Visteon's equity interest in a non-cash gain recorded by Yanfeng resulting from the excess of fair value over carrying value of a former equity investee that was consolidated effective June 1, 2012. The following table presents summarized financial data for the Company's non-consolidated affiliates. The amounts included in the table below represent 100% of the results of operations of such non-consolidated affiliates accounted for under the equity method.

	Net Sales		Gross Margin		Net Income	
	Three Months Ended June 30		Three Months Ended June 30		Three Months Ended June 30	
	2012	2011	2012	2011	2012	2011
	(Dollars in Millions)					
Yanfeng	\$ 991	\$ 739	\$ 178	\$ 128	\$ 185	\$ 63
All other	467	205	52	37	27	22
	<u>\$ 1,458</u>	<u>\$ 944</u>	<u>\$ 230</u>	<u>\$ 165</u>	<u>\$ 212</u>	<u>\$ 85</u>

Yanfeng net sales and gross margin for the three months ended June 30, 2012 include approximately \$200 million and \$40 million, respectively, related to June 2012 activity of a former equity investee that was consolidated effective June 1, 2012. Yanfeng net income includes approximately \$130 million associated with a non-cash gain on the consolidation of a former equity investee. The increase in net sales for all other non-consolidated affiliates includes \$215 million related to Duckyang.

### Income Taxes

The Company's provision for income taxes of \$42 million for the three-month period ended June 30, 2012 represents an increase of \$8 million when compared with \$34 million in the same period of 2011. The increase in tax expense includes \$6 million of deferred tax expense related to Visteon's equity interest in a non-cash equity investment gain recorded by Yanfeng. Additionally, the non-recurrence of certain tax benefits recorded during the three months ended June 30, 2011 including \$5 million associated with tax benefits on operating losses to the extent of increases in other comprehensive income further increased income tax expense. The increase in tax expense was partially offset by the year-over-year impact of changes in the mix of earnings and differing tax rates between jurisdictions and a net decrease in unrecognized tax benefits, including interest.

### Discontinued Operations

In connection with the Lighting Transaction, the results of operations of the Lighting business have been reclassified to "Income from discontinued operations, net of tax" in the Consolidated Statements of Comprehensive Income for the three-month periods ended June 30, 2012 and 2011, and are detailed as follows:

	Three Months Ended June 30	
	2012	2011
	(Dollars in Millions)	
Sales	\$ 126	\$ 132
Cost of sales	113	127
Gross margin	13	5
Selling, general and administrative expenses	3	4
Asset impairments	11	—
Other expense	1	—
Operating (loss) income	(2)	1
Interest expense	1	1
Loss from discontinued operations before income taxes	(3)	—
Benefit from income taxes	(2)	—
Loss from discontinued operations, net of tax	<u>\$ (1)</u>	<u>\$ —</u>

The Company recorded an asset impairment charge of \$11 million for the three-month period ended June 30, 2012, representing the difference between the carrying value of the assets subject to sale and the expected sale proceeds.

#### Net Income

Net income attributable to Visteon was \$75 million for the three-month period ended June 30, 2012 compared to a net income of \$26 million for the same period of 2011, representing an increase of \$49 million. Net income attributable to Visteon for the three months ended June 30, 2012 included \$63 million of increased equity in the net income of non-consolidated affiliates resulting from a non-cash gain at Yanfeng. Adjusted EBITDA (as defined below) was \$151 million for the three month period ended June 30, 2012, representing a decrease of \$52 million when compared with Adjusted EBITDA of \$203 million for the same period of 2011. The Company's Adjusted EBITDA decreased primarily due to unfavorable currency, unfavorable product volume and mix, price productivity in excess of material and manufacturing efficiencies, and the non-recurrence of certain commercial agreements.

Adjusted EBITDA is presented as a supplemental measure of the Company's financial 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, plus net interest expense, provision for income taxes and depreciation and amortization, as further adjusted to eliminate the impact of asset impairments, gains or losses on divestitures, net restructuring expenses and other reimbursable costs, certain employee charges and benefits, reorganization items and other non-operating gains and losses. Additionally, amounts below are inclusive of the Company's discontinued operations. Not all companies use identical calculations and, accordingly, the Company's presentation of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

Adjusted EBITDA is not a recognized term under accounting principles generally accepted in the United States ("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 measures similar to Adjusted EBITDA to measure compliance with certain covenants. Adjusted EBITDA, as determined and measured by the Company should not be compared to similarly titled measures reported by other companies. The reconciliation of Adjusted EBITDA to net income attributable to Visteon for the three month periods ended June 30, 2012 and 2011 is as follows:

	Three Months Ended June 30		
	2012	2011	Change
	(Dollars in Millions)		
Adjusted EBITDA	\$ 151	\$ 203	\$ (52)
Depreciation and amortization	67	79	(12)
Restructuring and other expenses	11	26	(15)
Equity investment gain	(63)	—	(63)
Other non-recurring costs, net	2	—	2
Interest expense, net	6	7	(1)
Provision for income taxes	42	34	8
Loss on debt extinguishment	—	24	(24)
Discontinued operations	11	7	4
Net income attributable to Visteon	<u>\$ 75</u>	<u>\$ 26</u>	<u>\$ 49</u>

#### Segment Results of Operations - Three Months Ended June 30, 2012 and 2011

The Company's operating structure is organized by global product lines, including: Climate, Electronics and Interiors. These global product lines have financial and operating responsibility over the design, development and manufacture of the Company's product portfolio. Global customer groups are responsible for the business development of the Company's product portfolio and overall customer relationships. Certain functions such as procurement, information technology and other administrative activities are managed on a global basis with regional deployment.

The Company's reportable segments are as follows:

- Climate — The Company's Climate product line includes climate air handling modules, powertrain cooling modules, heat exchangers, compressors, fluid transport and engine induction systems.
- Electronics — The Company's Electronics product line includes audio systems, infotainment systems, driver information systems, powertrain and feature control modules, climate controls, and electronic control modules.
- Interiors — The Company's Interiors product line includes instrument panels, cockpit modules, door trim and floor consoles.

#### Sales by Segment

	Climate	Electronics	Interiors	Eliminations	Total
	<b>(Dollars in Millions)</b>				
Three months ended June 30, 2011	\$ 1,058	\$ 351	\$ 677	\$ (40)	\$ 2,046
Volume and mix	86	(30)	(62)	—	(6)
Currency	(55)	(17)	(36)	—	(108)
Duckyang deconsolidation	—	—	(199)	12	(187)
Other	(24)	(5)	(23)	—	(52)
Three months ended June 30, 2012	<u>\$ 1,065</u>	<u>\$ 299</u>	<u>\$ 357</u>	<u>\$ (28)</u>	<u>\$ 1,693</u>

Climate sales increased during the three-month period ended June 30, 2012 by \$7 million. Higher production volumes and net new business increased sales by \$86 million, primarily attributable to Asia, Europe and North America. Unfavorable currency related to the Euro, Indian Rupee and Korean Won, resulted in a decrease of \$55 million. Other changes, totaling \$24 million, reflected price productivity, partially offset by increases in revenue related to commodity pricing and design actions.

Electronics sales decreased during the three-month period ended June 30, 2012 by \$52 million. Customer sourcing actions and production volume declines lowered sales by \$30 million, primarily reflecting weak European economic conditions. Unfavorable currency, driven by the weakening of the Euro, further decreased sales by \$17 million. Other changes, totaling \$5 million, reflected price productivity, partially offset by increases in revenue related to commodity pricing and design actions.

Interiors sales decreased during the three-month period ended June 30, 2012 by \$320 million. Sales decreased \$199 million due to the deconsolidation of Duckyang, which resulted from the Company's sale of a controlling ownership interest in October 2011. Sales were further decreased by lower production volumes in Europe and South America of \$41 million and \$17 million, respectively. Unfavorable currency related to the Euro and Brazilian Real decreased sales \$36 million. Other changes decreased sales by \$23 million including \$13 million for the non-recurrence of a 2011 customer settlement agreement in South America, customer accommodation agreements and price productivity.

#### Cost of Sales by Segment

	Climate	Electronics	Interiors	Eliminations	Total
	<b>(Dollars in Millions)</b>				
Three months ended June 30, 2011	\$ 965	\$ 314	\$ 615	\$ (40)	\$ 1,854
Material	4	(23)	(239)	12	(246)
Freight and duty	1	(2)	(6)	—	(7)
Labor and overhead	—	(10)	(34)	—	(44)
Depreciation and amortization	(7)	(4)	(3)	—	(14)
Other	21	(6)	7	—	22
Three months ended June 30, 2012	<u>\$ 984</u>	<u>\$ 269</u>	<u>\$ 340</u>	<u>\$ (28)</u>	<u>\$ 1,565</u>

Climate material costs increased \$4 million, including \$28 million related to higher production volumes net of currency, partially offset by \$24 million related to design changes, purchasing improvements, and other changes. Depreciation and amortization decreased \$7 million while other costs including engineering, launch and other costs increased by \$21 million.

Electronics material costs decreased \$23 million, including \$18 million related to lower production volumes net of currency and \$5 million related to the impact of design changes, purchasing improvements, and other changes. Labor and overhead decreased \$10 million, primarily related to lower production volumes. Depreciation and amortization decreased \$4 million and engineering and other expenses were lower by \$6 million.

Interiors material costs decreased \$239 million, \$180 million related to the deconsolidation of the Duckyang joint venture, \$52 million related to lower production volumes net of currency and \$7 million related to the impact of design changes, purchasing improvements, and other changes. Labor and overhead decreased \$34 million, including \$14 million related to the deconsolidation of the Duckyang joint venture, and \$19 million related to lower production volumes net of currency. Depreciation and amortization decreased \$3 million and other costs increased due to the non-recurrence of a gain on the sale of land in 2011.

#### Adjusted EBITDA by Segment

Effective April 1, 2012, the Company began utilizing Adjusted EBITDA as its primary measure for evaluating the performance of its global product lines. Adjusted EBITDA by global product line for the three months ended June 30, 2012 and 2011 is presented below:

	Three Months Ended June 30		
	2012	2011	Change
	(Dollars in Millions)		
Climate	\$ 75	\$ 82	\$ (7)
Electronics	23	34	(11)
Interiors	43	80	(37)
Discontinued operations	10	7	3
Total consolidated	<u>\$ 151</u>	<u>\$ 203</u>	<u>\$ (52)</u>

Changes in Adjusted EBITDA by global product line are presented below:

	Climate	Electronics	Interiors	Total
	(Dollars in Millions)			
Three months ended June 30, 2011	\$ 82	\$ 34	\$ 80	\$ 196
Volume and mix	6	(7)	(17)	(18)
Currency	(10)	(3)	(4)	(17)
Other	(3)	(1)	(16)	(20)
Three months ended June 30, 2012	<u>\$ 75</u>	<u>\$ 23</u>	<u>\$ 43</u>	<u>141</u>
Discontinued operations				10
Total				<u>\$ 151</u>

Adjusted EBITDA for the three months ended June 30, 2012 decreased compared to the same period of 2011. The decrease resulted from lower production volume, unfavorable product mix and currency. Other decreases include the net performance impact of design changes and purchasing improvements, more than offset by customer productivity and other costs. Other Interiors includes \$13 million of a 2011 customer settlement agreement in South America.



## Consolidated Results of Operations - Six Months Ended June 30, 2012 and 2011

The Company's consolidated results of operations for the six months ended June 30, 2012 and 2011 were as follows:

	Six Months Ended June 30		
	2012	2011	Change
	(Dollars in Millions)		
Sales	\$ 3,410	\$ 3,896	\$ (486)
Cost of sales	3,148	3,561	(413)
Gross margin	262	335	(73)
Selling, general and administrative expenses	178	196	(18)
Restructuring and other expenses	74	28	46
Operating income	10	111	(101)
Interest expense, net	15	16	(1)
Loss on debt extinguishment	—	24	(24)
Equity in net income of non-consolidated affiliates	145	87	58
Income before income taxes	140	158	(18)
Provision for income taxes	69	62	7
Income from continuing operations	71	96	(25)
Income from discontinued operations	2	4	(2)
Net income	73	100	(27)
Net income attributable to non-controlling interests	27	35	(8)
Net income attributable to Visteon	\$ 46	\$ 65	\$ (19)
Adjusted EBITDA*	\$ 301	\$ 363	\$ (62)

\* Adjusted EBITDA is a Non-GAAP financial measure, as further discussed below.

### Sales

The Company's consolidated sales totaled \$3,410 million for the six-month period ended June 30, 2012, which represents a decrease of \$486 million when compared to the same period of 2011. The deconsolidation of Duckyang resulted in a decrease of approximately \$301 million and unfavorable currency, primarily attributable to the Euro, Korean Won and Indian Rupee, decreased sales by \$141 million. Other reductions of \$73 million were associated with price productivity net of design actions and commercial agreements. Higher net production volumes and favorable product mix increased sales by \$29 million as volume increases and net new business in Asia more than offset production volume declines in Europe and South America.

### Gross Margin

The Company recorded gross margin of \$262 million for the six-month period ended June 30, 2012 compared to \$335 million for the same period of 2011. The decrease in margin of \$73 million was associated with unfavorable product mix of \$36 million, unfavorable currency of \$29 million, the Duckyang deconsolidation of \$5, and net cost performance of \$17 million. Cost performance was primarily driven by price productivity and commercial agreements in excess of material and manufacturing efficiencies. Lower depreciation and amortization expenses on tangible and intangible assets was a partial offset, which improved margin by \$18 million.

### Selling, General and Administrative Expenses

Selling, general, and administrative expenses were \$178 million and \$196 million during the six-month periods ended June 30, 2012 and 2011, respectively. The decrease was primarily due to reduced employee overhead costs of \$20 million and \$5 million related to foreign currency, partially offset by increased corporate office rent expense, professional fees and the deconsolidation of the Duckyang joint venture.

# Restructuring and Other Expenses

Restructuring and other expenses consist of the following:

	Six Months Ended June 30	
	2012	2011
	(Dollars in Millions)	
Restructuring expenses	\$ 42	\$ 17
Loss on asset contribution	14	—
Transformation costs	18	3
Bankruptcy related costs	—	8
	<u>\$ 74</u>	<u>\$ 28</u>

During the six-month period ended June 30, 2012, the Company recorded \$42 million of restructuring expenses, including \$36 million recorded in connection with the previously announced closure of the Company's Cadiz Electronics operation in El Puerto de Santa Maria, Spain. Additionally, the Company agreed to transfer land, building and machinery with a net book value of approximately \$14 million for the benefit of the employees. The Company also recorded approximately \$5 million for employee severance and termination benefits during the six-month period ended June 30, 2012 including \$3 million associated with the separation of approximately 250 employees at a South American Interiors facility and \$2 million associated with 55 voluntary employee separations associated with the Climate action announced in the fourth quarter of 2011.

During the six-month period ended June 30, 2011, the Company recorded approximately \$21 million for severance and termination benefits related to the announced closure of the Company's Cadiz Electronics operation in El Puerto de Santa Maria, Spain. Additionally, during the first half of 2011, the Company recorded approximately \$4 million for employee severance and termination benefits associated with previously announced actions at two European Interiors facilities. The Company also reversed approximately \$8 million of previously established accruals, including \$6 million for employee severance and termination benefits at a European Interiors facility pursuant to a March 2011 contractual agreement to cancel the related social plan and an additional \$2 million for employee and severance and termination benefits at a South American Electronics facility.

The following is a summary of the Company's consolidated restructuring reserves and related activity for the six-month period ended June 30, 2012.

	Electronics	Interiors	Climate	Total
	(Dollars in Millions)			
Restructuring reserve - December 31, 2011	\$ 19	\$ 6	\$ 1	\$ 26
Expenses	36	4	2	42
Utilization	(54)	(3)	(2)	(59)
Restructuring reserve - June 30, 2012	<u>\$ 1</u>	<u>\$ 7</u>	<u>\$ 1</u>	<u>\$ 9</u>

Utilization of \$59 million during the first half of 2012 represents payments of \$52 million for employee severance and termination benefits, \$4 million in connection with the asset contribution for the Cadiz exit, and \$3 million reflecting lease termination, consulting and legal costs related to previously announced restructuring actions. Given the economically-sensitive and highly competitive nature of the automotive industry, the Company continues to closely monitor current market factors and industry trends taking action as necessary, including but not limited to, additional restructuring actions. However, there can be no assurance that any such actions will be sufficient to fully offset the impact of adverse factors on the Company or its results of operations, financial position and cash flows.

The Company continued its efforts to transform its business portfolio and to rationalize its cost structure including, among other things, the investigation of potential transactions for the sale, merger or other combination of certain businesses. Business transformation costs of \$18 million and \$3 million incurred during the six-month period ended June 30, 2012 and 2011, respectively, relate principally to financial and advisory fees. The Company recorded bankruptcy-related costs of \$8 million for the six-month period ended June 30, 2011, which are comprised of amounts directly associated with the bankruptcy claims settlement process under Chapter 11.

#### Interest Expense, Net

Interest expense for the six-month period ended June 30, 2012 of \$22 million included \$17 million associated with the 6.75% senior notes due April 15, 2019, \$2 million related to affiliate debt, and \$3 million associated with commitment fees and amortization of debt issuance costs. During the six-month period ended June 30, 2011, interest expense was \$27 million, including \$11 million related to the Company's \$500 million secured term loan due October 1, 2017, \$8 million related to the 6.75% senior notes due April 15, 2016, \$5 million on affiliate debt and \$3 million related to the amortization of secured term loan deferred costs. Interest income of \$7 million for the six months ended June 30, 2012 decreased by \$4 million compared to \$11 million for the same period of 2011 due to lower average cash balances.

#### Equity in Net Income of Non-consolidated Affiliates

Equity in the net income of non-consolidated affiliates totaled \$145 million and \$87 million for the six-month periods ended June 30, 2012 and 2011, respectively, representing an increase of \$58 million. Equity earnings for the six months ended June 30, 2012 included \$63 million representing Visteon's equity interest in a non-cash gain recorded by Yanfeng resulting from the excess of fair value over the carrying value of a former equity investee that was consolidated effective June 1, 2012. The following table presents summarized financial data for the Company's non-consolidated affiliates. The amounts included in the table below represent 100% of the results of operations of such non-consolidated affiliates accounted for under the equity method.

	Net Sales		Gross Margin		Net Income	
	Six Months Ended June 30		Six Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011	2012	2011
	(Dollars in Millions)					
Yanfeng	\$ 1,784	\$ 1,459	\$ 300	\$ 237	\$ 257	\$ 132
All other	880	392	94	70	44	41
	<u>\$ 2,664</u>	<u>\$ 1,851</u>	<u>\$ 394</u>	<u>\$ 307</u>	<u>\$ 301</u>	<u>\$ 173</u>

Yanfeng sales and gross margin for the six months ended June 30, 2012 include approximately \$200 million and \$40 million, respectively, related to June 2012 activity of a former equity investee that was consolidated effective June 1, 2012. Yanfeng net income includes approximately \$130 million associated with a non-cash gain on the consolidation of a former equity investee. The increase in sales for all other non-consolidated affiliates includes \$408 million related to Duckyang.

#### Income Taxes

The Company's provision for income taxes of \$69 million for the six-month period ended June 30, 2012 represents an increase of \$7 million when compared with \$62 million in the same period of 2011. The increase in tax expense includes \$6 million of deferred tax expense related to Visteon's equity interest in a non-cash equity investment gain recorded by Yanfeng, a 50% owned non-consolidated affiliate of the Company. Additionally, the non-recurrence of certain tax benefits recorded during the six months ended June 30, 2011, including \$4 million associated with tax benefits on operating losses to the extent of increases in other comprehensive income further increased income tax expense. The increases in tax expense were partially offset by the year-over-year impact of changes in the mix of earnings and differing tax rates between jurisdictions and a net decrease in unrecognized tax benefits, including interest.

### Discontinued Operations

In connection with the Lighting Transaction, the results of operations of the Lighting business have been reclassified to “Income from discontinued operations, net of tax” in the Consolidated Statements of Comprehensive Income for the six-month periods ended June 30, 2012 and 2011, and are detailed as follows:

	Six Months Ended June 30	
	2012	2011
	(Dollars in Millions)	
Sales	\$ 265	\$ 255
Cost of sales	236	244
Gross margin	29	11
Selling, general and administrative expenses	6	6
Asset impairments	13	—
Other expenses	3	—
Operating income	7	5
Interest expense	1	1
Income from discontinued operations before income taxes	6	4
Provision for income taxes	4	—
Income from discontinued operations, net of tax	\$ 2	\$ 4

The Company recorded an asset impairment charge of \$13 million for the six-month period ended June 30, 2012, representing the difference between the carrying value of the assets subject to sale and the expected sale proceeds.

### Net Income

Net income attributable to Visteon was \$46 million for the six-month period ended June 30, 2012 compared to \$65 million for the same period of 2011, representing a decrease of \$19 million. Net income attributable to Visteon for the six months ended June 30, 2012 included \$63 million of increased equity in the net income of non-consolidated affiliates resulting from a non-cash gain at Yanfeng. Adjusted EBITDA (as defined below) was \$301 million for the six-month period ended June 30, 2012, representing a decrease of \$62 million when compared with Adjusted EBITDA of \$363 million for the same period of 2011. The Company's Adjusted EBITDA decreased in the six-month period of 2012 as compared with 2011 primarily due to foreign currency impacts of the Euro and Korean Won, European production volume declines and the non-recurrence of certain commercial agreement impacts.

Adjusted EBITDA is presented as a supplemental measure of the Company's financial 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, plus net interest expense, provision for income taxes and depreciation and amortization, as further adjusted to eliminate the impact of asset impairments, gains or losses on divestitures, net restructuring expenses and other reimbursable costs, certain employee charges and benefits, reorganization items and other non-operating gains and losses. Additionally, amounts below are inclusive of the Company's discontinued operations. Not all companies use identical calculations and, accordingly, the Company's presentation of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

Adjusted EBITDA is not a recognized term under accounting principles generally accepted in the United States (“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 measures similar to Adjusted EBITDA to measure compliance with certain covenants. Adjusted EBITDA, as determined and measured by the Company should not be compared to similarly titled measures reported by other companies.

The reconciliation of Adjusted EBITDA to net income attributable to Visteon for the six-month periods ended June 30, 2012 and 2011 is as follows:

	Six Months Ended June 30		
	2012	2011	Change
	(Dollars in Millions)		
Adjusted EBITDA	\$ 301	\$ 363	\$ (62)
Depreciation and amortization	131	151	(20)
Restructuring and other expenses	74	28	46
Equity investment gain	(63)	—	(63)
Other non-recurring costs, net	7	5	2
Interest expense, net	15	16	(1)
Provision for income taxes	69	62	7
Loss on debt extinguishment	—	24	(24)
Discontinued operations	22	12	10
Net income attributable to Visteon	<u>\$ 46</u>	<u>\$ 65</u>	<u>\$ (19)</u>

#### Segment Results of Operations - Six Months Ended June 30, 2012 and 2011

The Company's operating structure is organized by global product lines, including: Climate, Electronics and Interiors. These global product lines have financial and operating responsibility over the design, development and manufacture of the Company's product portfolio. Global customer groups are responsible for the business development of the Company's product portfolio and overall customer relationships. Certain functions such as procurement, information technology and other administrative activities are managed on a global basis with regional deployment. The Company's reportable segments are as follows:

- Climate — The Company's Climate product line includes climate air handling modules, powertrain cooling modules, heat exchangers, compressors, fluid transport and engine induction systems.
- Electronics — The Company's Electronics product line includes audio systems, infotainment systems, driver information systems, powertrain and feature control modules, climate controls, and electronic control modules.
- Interiors — The Company's Interiors product line includes instrument panels, cockpit modules, door trim and floor consoles.

#### Sales by Segment

	Climate	Electronics	Interiors	Eliminations	Total
	(Dollars in Millions)				
Six months ended June 30, 2011	\$ 2,037	\$ 709	\$ 1,248	\$ (98)	\$ 3,896
Volume and mix	164	(57)	(96)	18	29
Currency	(69)	(23)	(49)	—	(141)
Duckyang deconsolidation	—	—	(325)	24	(301)
Other	(44)	(8)	(21)	—	(73)
Six months ended June 30, 2012	<u>\$ 2,088</u>	<u>\$ 621</u>	<u>\$ 757</u>	<u>\$ (56)</u>	<u>\$ 3,410</u>

Climate sales increased during the six-month period ended June 30, 2012 by \$51 million. Higher production volumes and net new business, primarily in Asia, increased sales by \$164 million. Unfavorable currency, primarily related to the Euro and Korean Won resulted in a decrease of \$69 million. Other changes decreased sales by \$44 million and reflected price productivity, partially offset by increases in revenue related to commodity pricing and design actions.

Electronics sales decreased during the six-month period ended June 30, 2012 by \$88 million. Customer sourcing actions and production volume declines reflecting weakened economic conditions in Europe decreased sales by \$57 million. Unfavorable currency, primarily related to the Euro, further decreased sales by \$23 million. Other changes, totaling \$8 million, reflected price productivity, partially offset by increases in revenue related to commodity pricing and design actions.

Interiors sales decreased during the six-month period ended June 30, 2012 by \$491 million. Sales decreased due to the deconsolidation of Duckyang by \$325 million. Lower production volumes in Europe and South America of \$65 million and \$27 million, respectively, further reduced sales. Unfavorable currency related to the Euro and Brazilian Real decreased sales \$49 million. Other reductions, totaling \$21 million, include \$13 million from a 2011 customer settlement agreement in South America, and impacts of customer accommodation agreements and price productivity, partially offset by increases in revenue related to commodity pricing and design actions.

#### Cost of Sales by Segment

	Climate	Electronics	Interiors	Eliminations	Total
	(Dollars in Millions)				
Six months ended June 30, 2011	\$ 1,859	\$ 635	\$ 1,165	\$ (98)	\$ 3,561
Material	51	(34)	(377)	39	(321)
Freight and duty	1	(4)	(8)	—	(11)
Labor and overhead	3	(24)	(52)	—	(73)
Depreciation and amortization	(11)	(6)	(4)	—	(21)
Other	15	(3)	(2)	3	13
Six months ended June 30, 2012	<u>\$ 1,918</u>	<u>\$ 564</u>	<u>\$ 722</u>	<u>\$ (56)</u>	<u>\$ 3,148</u>

Climate material costs increased \$51 million, including \$80 million related to higher production volumes net of currency partially offset by \$29 million related to design changes, purchasing improvements, and other changes. Labor and overhead increased \$3 million primarily related to production volumes net of currency. Depreciation and amortization decreased \$11 million while launch and other expenses increased by \$15 million.

Electronics material costs decreased \$34 million, including \$26 million related to lower production volumes net of currency and \$8 million related to the impact of design changes, purchasing improvements, and other changes. Labor and overhead decreased \$24 million, including \$20 million related to lower production volumes net of currency. Depreciation and amortization decreased \$6 million while engineering expense was lower by \$3 million.

Interiors material costs decreased \$377 million, including \$293 million related to the deconsolidation of Duckyang, \$76 million related to lower production volumes net of currency and \$8 million related to the impact of design changes, purchasing improvements, and other changes. Labor and overhead decreased \$52 million, including \$25 million related to the deconsolidation of Duckyang and \$26 million related to lower production volumes net of currency. Depreciation and amortization decreased \$4 million and engineering expense was lower by \$2 million.

#### Adjusted EBITDA by Segment

Effective April 1, 2012, the Company began utilizing Adjusted EBITDA as its primary measure for evaluating the performance of its global product lines. Adjusted EBITDA by global product line for the six months ended June 30, 2012 and 2011 is presented below:

	Six Months Ended June 30		
	2012	2011	Change
	(Dollars in Millions)		
Climate	\$ 146	\$ 159	\$ (13)
Electronics	45	63	(18)
Interiors	86	125	(39)
Discontinued operations	24	16	8
Total consolidated	<u>\$ 301</u>	<u>\$ 363</u>	<u>\$ (62)</u>

Changes in Adjusted EBITDA by global product line are presented below:

	Climate	Electronics	Interiors	Total
	(Dollars in Millions)			
Six months ended June 30, 2011	\$ 159	\$ 63	\$ 125	\$ 347
Volume and mix	10	(17)	(29)	(36)
Currency	(14)	(5)	(5)	(24)
Other	(9)	4	(5)	(10)
Six months ended June 30, 2012	<u>\$ 146</u>	<u>\$ 45</u>	<u>\$ 86</u>	<u>277</u>
Discontinued operations				24
Total				<u>\$ 301</u>

Adjusted EBITDA for the six months ended June 30, 2012 decreased compared to the same period of 2011. The decrease resulted from lower production volumes, unfavorable product mix and currency. Other decreases include the net performance impact of design changes and purchasing improvements, more than offset by customer productivity and other costs.

## Liquidity

### Overview

The Company's primary liquidity needs are related to the funding of general business requirements, including working capital requirements, capital expenditures, debt service, employee retirement benefits and restructuring actions. The Company funds its liquidity needs with cash flows from operating activities, a substantial portion of which is generated by the Company's international subsidiaries. Accordingly, the Company utilizes a combination of cash repatriation strategies, including dividends, royalties, intercompany loan repayments and other distributions and advances to provide the funds necessary to meet obligations globally. The Company's ability to access funds from its subsidiaries using these repatriation strategies is subject to, among other things, customary regulatory and statutory requirements and contractual arrangements including joint venture agreements and local debt agreements. Additionally, such repatriation strategies may be adjusted or modified as the Company continues to, among other things, rationalize its business portfolio and cost structure. As of June 30, 2012, the Company had total cash balances of \$702 million, including restricted cash of \$21 million. Cash balances totaling \$430 million were located in jurisdictions outside of the United States, of which, approximately \$80 million is considered permanently reinvested for funding ongoing operations outside of the U.S. If such permanently reinvested funds are needed for operations in the U.S. or in other jurisdictions, the Company would be required to accrue additional tax expense, primarily related to foreign withholding taxes.

The Company's ability to fund its liquidity needs is dependent on the level, variability and timing of its customers' worldwide vehicle production, which may be adversely affected by many factors including, but not limited to, general economic conditions, specific industry conditions, financial markets, competitive factors and legislative and regulatory changes. During the first six months of 2012, economic conditions in Europe continued to be adversely impacted by sovereign debt issues and economic growth in China remained slower than recent historical growth rates. Accordingly, the Company continues to closely monitor the macroeconomic environment and its impact on vehicle production volumes in relation to the Company's specific cash needs. Further, the Company's intra-year needs are impacted by seasonal effects in the industry, such as mid-year shutdowns, the subsequent ramp-up of new model production and the additional year-end shutdowns by primary customers.

To the extent that the Company's liquidity needs exceed cash provided by its operating activities, the Company would look to cash balances on hand; cash available through existing financing vehicles such as the Company's \$175 million asset-based revolving loan credit facility, subject to a borrowing base which may be impacted by potential sale agreements and of which none was outstanding as of June 30, 2012; the sale of businesses or other assets as permitted under the credit agreements, affiliate working capital lines of credit of which the Company had approximately \$216 million available as of June 30, 2012, and other contractual arrangements; and then to potential additional capital through the debt or equity markets. Access to these markets is influenced by the Company's credit ratings. At June 30, 2012, Visteon's corporate credit ratings were B1 and B+ by Moody's and S&P, respectively, both with a stable outlook. On July 5, 2012, following the Company's announcement of the Korean tender offer, Moody's and S&P reaffirmed Visteon's corporate ratings, although Moody's changed the 2019 unsecured bond B2 rating outlook to negative.

On August 1, 2012 Visteon agreed to sell its investment in R-Tek Ltd. for proceeds of approximately \$30 million. The transaction is expected to close in the third quarter of 2012. Additionally, on August 1, 2012 the Company completed the previously announced sale of its Lighting business for cash proceeds of approximately \$72 million, subject to purchase price adjustments.

On July 30, 2012, Visteon's board of directors authorized the repurchase of up to \$100 million of the Company's common stock over the subsequent two year period. The Company anticipates that repurchases of common stock, if any, would occur from time to time in open market transactions or in privately negotiated transactions depending on market and economic conditions, share price, trading volume, alternative uses of capital and other factors.

On July 3, 2012, Visteon completed its fifth amendment to its revolving loan credit agreement, dated as of October 1, 2010, and as further amended. The amendment, among other things, reduced the aggregate lending commitment to \$175 million, permits the incurrence of the Bridge Loan, and modifies certain restrictive covenants to permit certain asset dispositions, hedging and similar arrangements and the incurrence of limited categories of indebtedness. On April 3, 2012, the Company completed its fourth amendment to the agreement to allow for the sale-leaseback of the Company's corporate headquarters and the Lighting Transaction. As of June 30, 2012 the Company had no outstanding borrowings or letter of credit obligations under its revolving loan credit agreement with \$212 million available for borrowing, which was subsequently reduced to \$175 million with the fifth amendment. Future borrowing base capacity under the facility may be impacted by the sale of assets.

In April 2012, the Company completed a sale-leaseback transaction associated with the Grace Lake Corporate Center, which is located in Van Buren Township, Michigan for approximately \$80 million in cash. In connection with the sale-leaseback transaction, the Company entered into a 15-year lease on the site where its corporate offices and innovation center will continue to be located. The sale of the property, which had a net book value of approximately \$60 million as of the sale date, resulted in a gain of about \$20 million. The gain is being recognized on straight-line basis over the 15-year lease term.

In January 2012, the Company contributed approximately 1.5 million shares of its common stock valued at approximately \$73 million into its two largest U.S. defined benefit pension plans. This share contribution substantially reduces the Company's future cash pension funding requirements for 2012 and 2013.

Cash Flows

Operating Activities

Cash provided from operating activities decreased \$13 million during the six-month period ended June 30, 2012 to \$7 million, compared with \$20 million for the same period in 2011. The decrease is primarily due to lower net income, as adjusted for non-cash items and higher 2011 customer support agreement payments, partially offset by improved net trade working capital flows and lower bankruptcy related payments.

Free Cash Flow is presented as a supplemental measure of the Company's liquidity that management believes is useful to investors in analyzing the Company's ability to service and repay its debt. The Company defines Free Cash Flow as cash flow from operating activities less capital expenditures. Not all companies use identical calculations, so this presentation of Free Cash Flow may not be comparable to other similarly titled measures of other companies. Free Cash Flow is not a recognized term under GAAP and does not purport to be a substitute for cash flows from operating activities as a measure of liquidity. Free Cash Flow has limitations as an analytical tool as it does not reflect cash used to service debt and does not reflect funds available for investment or other discretionary uses. In addition, the Company uses Free Cash Flow (i) as a factor in incentive compensation decisions and (ii) for planning and forecasting future periods. A reconciliation of Free Cash Flow to cash provided from operating activities is provided in the following table.

	Six Months Ended June 30	
	2012	2011
	(Dollars in Millions)	
Cash provided by operating activities	\$ 7	\$ 20
Capital expenditures	(102)	(126)
Free Cash Flow	<u>\$ (95)</u>	<u>\$ (106)</u>

Investing Activities

Cash used by investing activities decreased \$97 million during the six-month period ended June 30, 2012 to \$24 million, compared to a use of \$121 million for the same period in 2011. Investing cash activities during the six-month period ended June 30, 2012 included approximately \$80 million of proceeds from asset sales, primarily related to the Company's corporate headquarters, which partially offset capital spending of \$102 million.



## Financing Activities

Cash used by financing activities totaled \$20 million during the six-month period ended June 30, 2012, an increased cash use of \$20 million when compared to zero net financing cash for the same period in 2011. The \$20 million used by financing activities during the six-month period ended June 30, 2012 included dividends paid to non-controlling interests and reductions in affiliate debt primarily in the Asia Pacific region, partially offset by an increase in the amount drawn under the French receivable factoring facility. Financing activities during the six-month period ended June 30, 2011 included the termination and payoff of the existing \$498 million term loan, settlement of reorganization related professional fees, and dividends paid to non-controlling interests, offset by issuance of \$500 million in senior notes and a reduction in restricted cash related to the disbursement of previously escrowed funds to settle reorganization related rights offering and other financing fees.

## Debt and Capital Structure

In connection with the July 4, 2012 tender offer to purchase the remaining 30 percent of Halla, Visteon, through its wholly-owned Korean subsidiary Visteon Korea Holdings Corp., entered into a fully committed Korean debt facility of Korean Won ("KRW") 1 trillion or \$881 million (the "Bridge Loan"), under which, Visteon Korea Holdings Corp. borrowed KRW 925 billion or \$815 million. The Bridge Loan is secured by a pledge of all of the shares of capital stock of Halla owned directly or indirectly by Visteon. On July 3, 2012, the Company entered into an amendment to the revolving loan credit agreement, to among other things, permit the the Bridge Loan.

On July 30, 2012, Visteon Korea Holdings Corp. amended the Bridge Loan to provide, among other things, for the ability to make additional borrowings, notwithstanding the voluntary prepayment of previously borrowed amounts, in exchange for the payment of a commitment fee of 0.5 percent per annum (the "Amended Bridge Loan"). The Amended Bridge Loan is available for borrowing through April 30, 2013 and expires July 4, 2013. Additionally, on July 30, 2012, Visteon Korea Holdings Corp. repaid approximately KRW 910 billion or \$800 million of previously borrowed amounts under the Bridge Loan. Interest on the Amended Bridge Loan is to be paid every three months based on the average yield rate quoted by certain bond pricing agencies in respect of KRW denominated non-guaranteed bank debentures with a remaining maturity of one year, plus an annual margin of 3.00 percent. The Amended Bridge Loan may be pre-paid, in full or in part, at any time by following certain advance notice and other procedures. In certain events, the Amended Bridge Loan requires prepayment, including upon the disposal of certain assets, the incurrence of certain indebtedness and the receipt of certain distributions.

Other information related to the Company's debt is set forth in Note 10, "Debt", to the consolidated financial statements included herein under Item 1. For additional information, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2011 for specific debt agreements and additional information related to covenants and restrictions.

## Off-Balance Sheet Arrangements

On September 27, 2011, the Company extended its \$15 million Letters of Credit ("LOC") Facility with US Bank National Association through September 30, 2013. The Company must continue to maintain a collateral account with U.S. Bank equal to 103% of the aggregated stated amount of the LOCs with reimbursement for any draws. As of June 30, 2012, the Company had \$11 million of outstanding letters of credit issued under this facility and secured by restricted cash. In addition, the Company had \$13 million of locally issued letters of credit to support various customs arrangements and other obligations at its local affiliates of which \$6 million are secured by cash collateral.

The Company has guaranteed approximately \$38 million of subsidiary lease payments under various arrangements generally spanning one to ten years in duration. During January 2009, the Company reached an agreement with the PBGC pursuant to U.S. federal pension law provisions that permit the agency to seek protection when a plant closing results in termination of employment for more than 20 percent of employees covered by a pension plan. In connection with this agreement, the Company agreed to provide a guarantee by certain affiliates of certain contingent pension obligations of up to \$30 million, the term of this guarantee is dependent upon certain contingent events as set forth in the PBGC Agreement. These guarantees have not, nor does the Company expect they are reasonably likely to have, a material current or future effect on the Company's financial position, results of operations or cash flows.

## Fair Value Measurements

The Company uses fair value measurements in the preparation of its financial statements, which utilize various inputs including those that can be readily observable, corroborated or generally unobservable. The Company utilizes market-based data and valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Additionally, the Company

applies assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. The primary financial instruments that are recorded at fair value in the Company's financial statements are derivative instruments.

The Company's use of derivative instruments creates exposure to credit loss in the event of nonperformance by the counterparty to the derivative financial instruments. The Company limits this exposure by entering into agreements directly with a variety of major financial institutions with high credit standards and that are expected to fully satisfy their obligations under the contracts. Fair value measurements related to derivative assets take into account the non-performance risk of the respective counterparty, while derivative liabilities take into account the non-performance risk of Visteon and its foreign affiliates. The hypothetical gain or loss from a 100 basis point change in non-performance risk would be less than \$1 million for the fair value of foreign currency derivatives as of June 30, 2012.

## Recent Accounting Pronouncements

See Note 1 "Basis of Presentation" to the accompanying consolidated financial statements under Item 1 "Financial Statements" of this Quarterly Report on Form 10-Q for a discussion of recent accounting pronouncements.

## Forward-Looking Statements

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 similar meaning in connection with discussions of future operating or financial performance signify forward-looking statements. These statements reflect the Company's 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" and elsewhere in this report. Accordingly, undue reliance should not be placed 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 and qualifies all of its forward-looking statements by these cautionary statements.

You 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; Visteon's ability to comply with covenants applicable to it; and the continuation of acceptable supplier payment terms.
- Visteon's ability to satisfy its pension and other postretirement employee 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.
- Changes in vehicle production volume of Visteon's customers in the markets where it operates, and in particular changes in Ford's and Hyundai Kia's vehicle production volumes and platform mix.
- Increases in commodity 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 and capital investments.
- Visteon's ability to compete favorably with automotive parts suppliers with lower cost structures and greater ability to rationalize operations; and to exit non-performing businesses on satisfactory terms, particularly due to limited flexibility under existing labor agreements.
- 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 asset 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, inquiries by regulatory agencies, product liability, warranty, employee-related, 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 quickly and adequately remediate control deficiencies in its internal control over financial reporting.
- Other factors, risks and uncertainties detailed from time to time in Visteon's Securities and Exchange Commission filings.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The primary market risks to which the Company is exposed include changes in foreign currency exchange rates, interest rates and certain commodity prices. The Company manages these risks through derivative instruments and various operating actions including fixed price contracts with suppliers and cost sourcing arrangements with customers. The Company's use of derivative instruments is limited to hedging activities and such instruments are not used for speculative or trading purposes, as per clearly defined risk management policies. Additionally, the Company's use of derivative instruments creates exposure to credit loss in the event of nonperformance by the counterparty to the derivative financial instruments. The Company limits this exposure by entering into agreements directly with a variety of major financial institutions with high credit standards and that are expected to fully satisfy their obligations under the contracts. Additionally, the Company's ability to utilize derivatives to manage market risk is dependent on credit conditions and market conditions given the current economic environment.

*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. Where possible, the Company utilizes derivative financial instruments to manage foreign currency exchange rate risks. Forward and option contracts may be utilized to protect the Company's cash flow from adverse movements in exchange rates. Foreign currency exposures are reviewed periodically and any natural offsets are considered prior to entering into a derivative financial instrument. The Company's primary foreign exchange operating exposures include the Euro, Korean Won, Czech Koruna, Hungarian Forint and Mexican Peso. Where possible, the Company utilizes a strategy of partial coverage for transactions in these currencies. As of June 30, 2012, the net fair value of foreign currency forward contracts was an asset of \$8 million and a liability of \$1 million while at December 31, 2011 the net fair value of forward contracts was a liability of \$16 million.

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 \$70 million and \$74 million as of June 30, 2012 and December 31, 2011, 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.

In addition to the transactional exposure described above, the Company's operating results are impacted by the translation of its foreign operating income into U.S. dollars. The Company does not enter into foreign exchange contracts to mitigate its translational exposure.

*Interest Rate Risk*

The Company is subject to interest rate risk, principally in relation to fixed rate debt. The Company may use derivative financial instruments to manage exposure to fluctuations in interest rates. However, as of June 30, 2012, the Company had no outstanding interest rate derivative instruments.

Prior to the April 6, 2011 Term Loan refinancing, the Company was subject to interest rate risk, principally in relation to variable rate debt. During the fourth quarter of 2010, the Company entered into an interest rate swap with a notional amount of \$250 million related to the Term Loan. These swaps effectively converted designated cash flows associated with underlying interest payments on the Term Loan from a variable interest rate to a fixed interest rate and were designated as cash flow hedges. In conjunction with the term loan refinance, the Company terminated its outstanding interest rate swaps, which were settled for a loss of less than \$1 million.

Approximately 86% and 87% of the Company's borrowings were effectively on a fixed rate basis as of June 30, 2012 and December 31, 2011, respectively. The Company continues to evaluate its interest rate exposure and may use swaps or other derivative instruments again in the future.

*Commodity Risk*

The Company's exposures to market risk from changes in the price of production material are managed primarily through negotiations with suppliers and customers, although there can be no assurance that the Company will recover all such costs. The

Company continues to evaluate derivatives available in the marketplace and may decide to utilize derivatives in the future to manage select commodity risks if an acceptable hedging instrument is identified for the Company's exposure level at that time, as well as the effectiveness of the financial hedge among 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 periodic reports filed 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 Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of June 30, 2012, an evaluation was performed under the supervision and with the participation of the Company's management, including its Chief Executive and Financial Officers, of the effectiveness of the design and operation of disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of June 30, 2012.

##### *Internal Control over Financial Reporting*

There were no changes in the Company's internal control over financial reporting during the quarterly period ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

See the information above under Note 16, "Commitments and Contingencies," to the consolidated financial statements which is incorporated herein by reference.

#### ITEM 1A. RISK FACTORS

*Certain tax benefit preservation provisions of our corporate documents could delay or prevent a change of control, even if that change would be beneficial to stockholders.*

Our second amended and restated certificate of incorporation provides, among other things, that any attempted transfer of the Company's securities during a Restricted Period shall be prohibited and void *ab initio* insofar as it purports to transfer ownership or rights in respect of such stock to the purported transferee to the extent that, as a result of such transfer, either any person or group of persons shall become a "5-percent shareholder" of Visteon pursuant to Treasury Regulation § 1.382-2T(g), other than a "direct public group" as defined in such regulation (a "Five-Percent Shareholder"), or the percentage stock ownership interest in Visteon of any Five-Percent Shareholder shall be increased.

The foregoing restriction does not apply to transfers if either the transferor or transferee gives written notice to the Board of Directors and obtains their approval. A Restricted Period means any period beginning when the Company's market capitalization falls below \$1.5 billion (or such other level determined by the Board of Directors not more frequently than annually) and ending when such market capitalization has been above such threshold for 30 consecutive calendar days.

These restrictions could prohibit or delay the accomplishment of an ownership change with respect to Visteon by (i) discouraging any person or group from being a Five-Percent Shareholder and (ii) discouraging any existing Five-Percent Shareholder from acquiring more than a minimal number of additional shares of Visteon's stock.

For other 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, 2011. See also, "Forward-Looking Statements" included in Part I, Item 2 of this Quarterly Report on Form 10-Q.

#### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On July 30, 2012, Visteon's board of directors authorized the repurchase of up to \$100 million of the Company's common stock

over the subsequent two year period. The Company anticipates that repurchases of common stock, if any, would occur from time to time in open market transactions or in privately negotiated transactions depending on market and economic conditions, share price, trading volume, alternative uses of capital and other factors.

**ITEM 5. OTHER INFORMATION**

On August 1, 2012, the Company and certain of its subsidiaries completed that sale to VARROCCORP Holding BV and Varroc Engineering Pvt. Ltd. (together, “Varroc”) of substantially all of the assets comprising the Company’s global automotive lighting business in exchange for the assumption of certain liabilities and the payment of \$72 million (which is subject to certain pricing adjustments), in accordance with the Asset Purchase Agreement, dated as of March 9, 2012 (as amended and supplemented, the “Purchase Agreement”), between the Company and Varroc. Varroc continues to have the option to acquire the Company’s 50% equity interest in Visteon TYC Corporation for an additional \$20 million.

On July 30, 2012, Visteon Korea Holdings Company (“Holdco”), an indirect, South Korean subsidiary of the Company, amended its Korean Won (“KRW”) 1 trillion Bridge Facility Agreement (the “Bridge Agreement”) with Kookmin Bank (“KB”), to provide, among other things, for the ability for Holdco to make additional borrowings under the Bridge Agreement notwithstanding the voluntary prepayment of previously borrowed amounts, in exchange for the payment of a commitment fee. In addition, on July 30, 2012, Holdco repaid approximately KRW 910 billion or \$800 million of previous borrowed amounts under the Bridge Agreement.

**ITEM 6. EXHIBITS**

See Exhibit Index on Page 54.

**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/ Michael J. Widgren

Michael J. Widgren

Vice President, Corporate Controller and Chief Accounting Officer

Date: August 2, 2012

**Exhibit Index**

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
10.1	KRW 1 Trillion Bridge Loan Agreement, dated as of July 4, 2012, by and among Visteon Korea Holdings Company and Kookmin Bank.
10.2	Fifth Amendment to Revolving Loan Credit Agreement and Consent, dated as of July 3, 2012, by and among Visteon Corporation, certain of its domestic subsidiaries signatory thereto, Morgan Stanley Senior Funding, Inc., as administrative agent and co-collateral agent, Bank of America, N.A., as co-collateral agent, and the lenders and L/C issuers party thereto.
10.3	Amendment and Restatement Relating Bridge Facility Agreement, dated as of July 30, 2012, by and among Visteon Korea Holdings Corporation and Kookmin Bank.
31.1	Rule 13a-14(a) Certification of Chief Executive Officer dated August 2, 2012.
31.2	Rule 13a-14(a) Certification of Chief Financial Officer dated August 2, 2012.
32.1	Section 1350 Certification of Chief Executive Officer dated August 2, 2012.
32.2	Section 1350 Certification of Chief Financial Officer dated August 2, 2012.
101.INS	XBRL Instance Document.**
101.SCH	XBRL Taxonomy Extension Schema Document.**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.**
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.**
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.**

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

\*\* Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files as Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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.



**KRW1,000,000,000,000**

**BRIDGE FACILITY AGREEMENT**

dated July 4 2012

for

**VISTEON KOREA HOLDINGS CORPORATION**

with

**KOOKMIN BANK**

acting as Facility Agent

and

**KOOKMIN BANK**

acting as Security Agent

arranged by

**KOOKMIN BANK**

acting as Mandated Lead Arranger



Hanjin Main Building, 18th Floor, 118,  
Namdadaemunno 2-Ga, Seoul 100-770, Korea  
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STAMP TAX

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THIS AGREEMENT is dated July 4 2012 and made between:

- (1) VISTEON KOREA HOLDINGS CORPORATION (the "Borrower");
- (2)KOOKMIN BANK as original lender (the "Original Lender");
- (3)KOOKMIN BANK as facility agent of the Finance Parties (other than itself) (the "Facility Agent"); and
- (4)KOOKMIN BANK as security agent of the Secured Parties (other than itself) (the "Security Agent").

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1Definitions

In this Agreement:

"Account Kun-Pledge Agreement" means an account kun-pledge agreement to be granted by the Borrower in favour of the Secured Parties in relation to the Drawdown Account.

"Acquisition" means the acquisition of the Acquisition Shares by the Borrower (whether by way of the Tender Offer or otherwise).

"Acquisition Closing Date" means the date on which completion of the Acquisition occurs.

"Acquisition Shares" means 25% or more (up to 30.1%) of the total issued outstanding shares of the Target.

"Administrative Party" means each of the Facility Agent and the Security Agent.

"Affiliate" means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

"Authorisation" means:

- (a) an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation, lodgement or registration; or
- (b) in relation to anything which will be fully or partly prohibited or restricted by law if a Governmental Agency intervenes or acts in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action.

"Availability Period" means the period from and including the date of this Agreement to and including the date falling nine (9) Months after the date of this Agreement.

"Available Commitment" means a Lender's Commitment under the Facility minus the amount of its participations in the outstanding Loan under the Facility.

"Available Facility" means the aggregate for the time being of each Lender's Available Commitment in respect of the Facility.

"Bankruptcy Law" means:

- (a) in relation to any entity incorporated or organised under the laws of Korea, the Debtor Rehabilitation

and Bankruptcy Act of Korea; and

- (b) in all other cases, any domestic or foreign law relating to bankruptcy, judicial management, moratorium, insolvency, reorganisation, administration or relief of debtors in effect in any jurisdiction.

**"Base Rate"** means, with respect to each Interest Determination Date, the average of the One Year Bank Debenture Rate in effect for the period of three (3) Business Days immediately preceding such Interest Determination Date (rounded up, if necessary, to the nearest one basis point).

**"Bond Pricing Agencies"** mean the following agencies:

- (a) NICE Pricing Service Inc.;
- (b) KIS Pricing Inc.;
- (c) Korea Asset Pricing & Korea Ratings Co., Ltd.; and
- (d) FN Pricing Inc.

**"Borrower Share Kun-Pledge Agreement"** means a share kun-pledge agreement to be granted by the Borrower in favour of the Secured Parties in relation to all of its shares issued by the Target pursuant to paragraph (b) of Clause 19.18 (*Conditions Subsequent*).

**"Business Day"** means a day (other than a Saturday or Sunday) on which banks are open for general business in Seoul.

**"Charged Property"** means all of the assets of the Borrower or the Sponsor which from time to time are, or are expressed to be, the subject of the Transaction Security.

**"Commitment"** means:

- (a) in relation to the Original Lender, KRW1,000,000,000,000 and the amount of any other Commitment transferred to it under this Agreement; and
- (b) in relation to any other Lender, the amount of any Commitment transferred to it under this Agreement,

to the extent not cancelled, reduced or transferred by it under this Agreement.

**"Default"** means an Event of Default or any event or circumstance specified in Clause 20 (*Events of Default*) which would (with the expiry of a grace period, the giving of notice or any combination of any of the foregoing) be an Event of Default.

**"Distribution"** means for any person:

- (a) any dividends, charges, fees or other distributions (or interest on any unpaid dividends, charges, fees or other distributions) (whether in cash or in kind) on or in respect of its share capital (or any class of its share capital) paid by any member of the Group; and/or
- (b) any payment paid by any member of the Group in respect of any redemption or reduction of any Equity Interest of any other member of the Group; and/or
- (c) any management service related fees or payment payable by the Target or its Restricted Subsidiaries pursuant to the LERA Program payable to its direct or indirect shareholders.

Bridge Facility Agreement

**"Drawdown Account"** means an account in the name of the Borrower opened with the Security Agent and designated as such by the Borrower and the Facility Agent.

**"Equity Interest"** means, in relation to any person:

- (a) any shares of any class or capital stock of or equity interest in such person or any depositary receipt in respect of such shares, capital stock or equity interest;
- (b) any security convertible (whether at the option of the holder thereof or otherwise and whether such conversion is conditional or otherwise) into any such shares, capital stock, equity interest or depositary receipt, or any depositary receipt in respect of such shares; and
- (c) any option, warrant or other right to acquire any such shares, capital stock, capital interest, securities or depositary receipts referred to in paragraphs (a) and (b) above.

**"Event of Default"** means any event or circumstance specified as such in Clause 20 (*Events of Default*).

**"Facility"** means the term loan facility made available under this Agreement as described in Clause 2.1 (*The Facility*).

**"Facility Office"** means the office or offices notified by a Lender to the Facility Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than five (5) Business Days' written notice) as the office or offices through which it will perform its obligations under this Agreement.

**"Fee Letter"** means any letter or letters referring to this Agreement or the Facility between one or more Administrative Parties and the Borrower setting out any of the fees referred to in Clause 11 (*Fees*).

**"Final Repayment Date"** means the earlier of:

- (a) if the Acquisition Closing Date occurs within six (6) Months from the Initial Utilisation Date, the date falling twelve (12) Months from the Initial Utilisation Date; and
- (b) if the Acquisition Closing Date does not occur within six (6) Months from the Initial Utilisation Date, the date falling six (6) Months from the Initial Utilisation Date.

**"Finance Document"** means this Agreement, the Security Documents, any Fee Letter, any Utilisation Request and any other document designated as such by the Facility Agent and the Borrower.

**"Finance Party"** means the Facility Agent, the Security Agent or a Lender.

**"Financial Indebtedness"** means, as to any person:

- (a) all obligations of such person for borrowed money or with respect to deposits or advances of any kind having the commercial effect of a borrowing (excluding deposits by customers made in the ordinary course of business and on ordinary business terms);
- (b) all obligations of such person evidenced by bonds, debentures, notes or similar instruments (excluding obligations of such person evidenced by notes or similar instruments issued in respect of "accounts payable" in the ordinary course of business);
- (c) all obligations of such person upon which interest charges are customarily paid having the commercial effect of a borrowing;
- (d) all Financial Indebtedness of any other person secured by any Security on any property owned

by such first person, whether or not such Financial Indebtedness has been assumed by such person;

- (e) all obligations of such person under conditional sale or other title retention agreements relating to property acquired by such person having the commercial effect of a borrowing (excluding agreements made in the ordinary course of business);
- (f) all obligations of such person in respect of the deferred purchase price of property or services outstanding more than ninety (90) days after its customary date of payment;
- (g) all guarantees by such person with respect to the Financial Indebtedness of other person(s);
- (h) all obligations which are required to be classified and accounted for as finance leases on the balance sheet of such person;
- (i) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution;
- (j) all obligations, contingent or otherwise, of such person in respect of bankers' acceptances issued by a bank or financial institution;
- (k) any indebtedness for or in respect of receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (l) any indebtedness for or in respect of any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (m) any indebtedness for or in respect of shares or equity interests that are expressed to be redeemable; and
- (n) any indebtedness for or in respect of any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account).

"GAAP" means generally accepted accounting principles in Korea.

"Governmental Agency" means any government or any governmental agency, semi-governmental or judicial entity or authority (including, without limitation, any stock exchange or any self-regulatory organisation established under statute).

"Group" means the Borrower and the Target.

"Holding Company" means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary.

"Indirect Tax" means any goods and services tax, consumption tax, value added tax or any tax of a similar nature.

"Initial Utilisation Date" means the date on which the first Utilisation was made under this Agreement.

"Interest Determination Date" means, in relation to any Loan, three (3) Business Days prior to the relevant Utilisation Date.

"Interest Payment Date" means, in relation to an Interest Period, the last day of such Interest Period.



"**Interest Period**" means, in relation to a Loan, each period determined in accordance with Clause 10 (*Interest Periods*) and, in relation to an Unpaid Sum, each period determined in accordance with Clause 9.3 (*Default Interest*).

"**K-IFRS**" means the international financial reporting standards as adopted by and in effect from time to time in Korea.

"**Korea**" means the Republic of Korea.

"**Lender**" means:

- (a) the Original Lender; and
- (b) any person which has become a Lender in accordance with Clause 21 (*Changes to the Parties*),

which in each case has not ceased to be a Lender in accordance with the terms of this Agreement.

"**LERA Program**" means the Legal Entity Restructuring Actions, a consolidated contractual arrangement to set out the principal and contract manufacturing relationship amongst the Target and their Affiliates.

"**Loan**" means a loan made or to be made under the Facility or the principal amount outstanding for the time being of that loan.

"**Majority Lenders**" means at any time:

- (a) if any Loan is then outstanding, a Lender or Lenders whose participations in the Loan(s) then outstanding aggregate more than 66 2/3% of the Loan(s), or
- (b) if there is no Loan then outstanding, a Lender or Lenders whose Available Commitments aggregate more than 66 2/3% of the Available Facility.

"**Margin**" means 3.00 per cent. per annum.

"**Material Adverse Effect**" means a material adverse effect or change on:

- (a) the business, operations, assets or financial condition of the Borrower;
- (b) the ability of the Borrower to meet its payment obligations under the Finance Documents as they become due and payable;
- (c) the validity, legality or enforceability of the Finance Documents or the rights or remedies of any Finance Party under the Finance Documents; or
- (d) the validity, legality or enforceability of the Security expressed to be created pursuant to the Security Documents.

"**Month**" means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

- (a) subject to paragraph (c) below, if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day;
- (b) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month; and

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- (c) if an Interest Period begins on the last Business Day of a calendar month, that Interest Period shall end on the last Business Day in the calendar month in which that Interest Period is to end.

The above rules will apply only to the last Month of any period.

**"One Year Bank Debenture Rate"** means the arithmetic mean of the average quotation yield rate of the Bond Pricing Agencies for the mark-to-market base yield for Won-denominated non-guaranteed bank debentures (with a credit rating of "AAA") with a remaining maturity of one (1) year as announced by the Korea Financial Investment Association.

**"Original Financial Statements"** means the audited financial statements of the Target for the financial year ended 31 December 2011.

**"Party"** means a party to this Agreement.

**"Permitted Disposal"** means any sale, transfer or other disposal:

- (a)made in the ordinary course of business of the disposing person;
- (b)of assets in exchange for other assets comparable or superior as to type, value and quality and for a similar purpose;
- (c)of shares in Halla Alabama to Visteon Corporation or other affiliates by the Target; or
- (d)of assets, interests or rights as permitted by the Facility Agent (acting reasonably).

**"Permitted Indebtedness"** means Financial Indebtedness:

- (a)incurred under the Finance Document;
- (b)as listed in Schedule 6 (*Existing Indebtedness*) (including any amendment, renewal, refinancing or extension thereof without increase in the principal amount);
- (c)arising under spot and forward delivery foreign exchange contracts entered into by the Target in the ordinary course of business and not for speculative purposes;
- (d)any derivatives transaction entered into by the Target for the hedging of actual or projected real exposures arising in the ordinary course of trading activities (including to hedge interest rate risk) and not for speculative purposes;
- (e)under finance or capital leases, provided that the aggregate capital value of all such items so leased during the term of this Agreement under outstanding leases by the Target does not exceed KRW25,000,000,000 at any time;
- (f)incurred by the Target in the ordinary course of business in connection with cash pooling, netting and cash management arrangements consisting of overdrafts or similar arrangements;
- (g)incurred under any Permitted Transaction;
- (h)constituted by any shareholder loan made to the Borrower by the Sponsor or its direct or indirect shareholder provided that such shareholder loan has been fully subordinated to the Facility in form and substance satisfactory to the Facility Agent; or

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- (i)as permitted by the Facility Agent (acting reasonably);

provided that the aggregate outstanding amount of the Permitted Indebtedness under paragraphs (b) and (e) to (i) shall not exceed KRW450,000,000,000 at any time.

"**Permitted Transaction**" means transactions conducted in the ordinary course of trading on arm's length terms.

"**Repeating Representations**" means each of the representations set out in Clause 17 (*Representations*).

"**Secured Obligations**" means all obligations at any time due, owing or incurred by the Borrower to any Secured Party under the Finance Documents whether present or future, actual or contingent.

"**Secured Parties**" means the Security Agent, the Facility Agent and each Lender from time to time party to this Agreement.

"**Security**" means any mortgage, pledge, hypothecation, assignment by way of security, deposit arrangement, encumbrance, lien (statutory or other), preference, priority or other security agreement of any kind or nature whatsoever, including any conditional sale or other title retention agreement, any contractual right of set-off or any financing lease having substantially the same effect as any of the foregoing.

"**Security Documents**" means:

- (a) the Account Kun-Pledge Agreement;
- (b) the Borrower Share Kun-Pledge Agreement;
- (c) the Sponsor Share Kun-Pledge Agreement (Borrower); and
- (d) the Sponsor Share Kun-Pledge Agreement (Target),

together with any other document designated as a "Security Document" by the Security Agent and the Borrower.

"**Specified Time**" means a time determined in accordance with Schedule 5 (*Timetable*).

"**Sponsor**" means VIHI, LLC.

"**Sponsor Share Kun-Pledge Agreement (Borrower)**" means a share kun-pledge agreement granted by the Sponsor in favour of the Secured Parties in relation to all of its shares issued by the Borrower.

"**Sponsor Share Kun-Pledge Agreement (Target)**" means a share kun-pledge agreement granted by the Sponsor in favour of the Secured Parties in relation to all of its shares issued by the Target.

"**Subsidiary**" means, in relation to any company or corporation, a company or corporation:

- (a) which is controlled, directly or indirectly, by the first mentioned company or corporation;
- (b) more than half the issued equity share capital of which is beneficially owned, directly or indirectly, by the first mentioned company or corporation; or
- (c) which is a Subsidiary of another Subsidiary of the first mentioned company or corporation,

and for this purpose, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or to control the composition of its board of directors

or equivalent body.

"**Target**" means Halla Climate Control Corp., a company incorporated under the laws of Korea.

"**Tax**" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

"**Tax Deduction**" has the meaning given to such term in Clause 12.1 (*Tax definitions*).

"**Tender Offer**" means a tender offer by the Borrower to the existing minority shareholders of the Target in respect of which a public notice of commencement of a tender offer has been made following the Initial Utilisation Date.

"**Tender Offer Account**" means an account in the name of the Borrower opened with the Security Agent and designated as such by the Borrower and the Facility Agent.

"**Total Commitments**" means the aggregate of the Commitments, being KRW1,000,000,000,000 at the date of this Agreement.

"**Transaction Security**" means the Security created or expressed to be created pursuant to the Security Documents.

"**Transfer Certificate**" means a certificate substantially in the form set out in Schedule 3 (*Form of Transfer Certificate*) or any other form agreed between the Facility Agent and the Borrower.

"**Transfer Date**" means, in relation to a transfer, the later of:

- (a) the proposed Transfer Date specified in the Transfer Certificate; and
- (b) the date on which the Facility Agent executes the Transfer Certificate.

"**Unpaid Sum**" means any sum due and payable but unpaid by the Borrower under the Finance Documents.

"**Utilisation**" means a utilisation of the Facility.

"**Utilisation Date**" means the date of the Utilisation, being the date on which the relevant Loan is to be made.

"**Utilisation Request**" means a notice substantially in the form set out in Schedule 2 (*Utilisation Request*).

1.2**Construction**

(a) Unless a contrary indication appears, any reference in this Agreement to:

- (i) any "**Administrative Party**", the "**Facility Agent**", the "**Security Agent**", any "**Finance Party**", any "**Secured Party**", any "**Lender**" or any "**Party**" shall be construed so as to include its successors in title and permitted transferees;
- (ii) "**assets**" includes present and future properties, revenues and rights of every description;
- (iii) a "**Finance Document**" or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended, novated, supplemented, extended or restated;

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(iv) "**including**" shall be construed as "including without limitation";

(v) "**indebtedness**" includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

(vi) a Lender's "**participation**" in the Loan or an Unpaid Sum includes an amount representing the fraction or portion (attributable to such Lender by virtue of the provisions of this Agreement) of the total amount of the Loan or Unpaid Sum and the Lender's rights under this Agreement in respect thereof;

(vii) a "**person**" includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality);

(viii) a "**regulation**" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;

(ix) a provision of law is a reference to that provision as amended or re-enacted; and

(x) a time of day is a reference to Seoul time.

(b) Clause and Schedule headings are for ease of reference only.

(c) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.

(d) A Default (other than an Event of Default) is "**continuing**" if it has not been remedied or waived and an Event of Default is "**continuing**" if it has not been waived.

(e) Where this Agreement specifies an amount in a given currency (the "**specified currency**") "**or its equivalent**", the "**equivalent**" is a reference to the amount of any other currency which, when converted into the specified currency utilising the Facility Agent's spot rate of exchange for the purchase of the specified currency with that other currency at or about 11 a.m. on the relevant date, is equal to the relevant amount in the specified currency.

1.3**Currency Symbol and Definition**

"Korean Won" or "KRW" denote the lawful currency of the Korea.

2.THE FACILITY

2.1The Facility

Subject to the terms of this Agreement, the Lenders make available to the Borrower a KRW term loan facility in an aggregate amount equal to the Total Commitments.

2.2Finance Parties' rights and obligations

(a)The obligations of the Finance Parties under the Finance Documents are several. Failure by a Finance Party to perform its obligations under the Finance Documents does not affect the obligations of any other Party under the Finance Documents. No Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents.

(a)The rights of the Finance Parties under or in connection with the Finance Documents are separate and independent rights and any debt arising under the Finance Documents to a Finance Party from the Borrower

shall be a separate and independent debt.

(b)A Finance Party may, except as otherwise stated in the Finance Documents, separately enforce its rights under the Finance Documents.

3.PURPOSE

3.1Purpose

The Borrower shall apply all amounts borrowed by it under the Facility towards (i) funding the costs of the Acquisition and (ii) payment of the Secured Obligations and any amounts relating to the transactions contemplated under the Finance Document.

3.2Monitoring

No Finance Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

4.CONDITIONS OF UTILISATION

4.1Initial conditions precedent

The Borrower may not deliver a Utilisation Request unless the Facility Agent has received all of the documents and other evidence listed in Schedule 1 (*Conditions of Utilisation*) in form and substance reasonably satisfactory to the Facility Agent unless otherwise waived. The Facility Agent shall notify the Borrower and the Lenders promptly upon receiving such documents and other evidence.

4.2Further conditions precedent

The Lenders will be obliged to comply with Clause 5.5 (*Lenders’ participations*) only if on the date of a Utilisation Request and on the proposed Utilisation Date:

(a)no Default is continuing or would result from the proposed Loan; and

(b)the Repeating Representations to be made by the Borrower are true in all material respects.

5.UTILISATION

5.1Delivery of the Utilisation Request

The Borrower may utilise the Facility by delivery to the Facility Agent of a duly completed Utilisation Request not later than the Specified Time.

5.2Completion of the Utilisation Request

(a)The Utilisation Request is irrevocable and will not be regarded as having been duly completed unless:

(i)the proposed Utilisation Date is a Business Day within the Availability Period;

(ii)the currency and amount of the Utilisation comply with Clause 5.4 (*Currency and amount*);

(iii)the proposed Interest Period complies with Clause 10 (Interest Periods); and

(iv)the account to which the Loan will be disbursed to the Borrower shall be the Drawdown Account.

(a)Only one Loan may be requested in each Utilisation Request.

5.3Maximum number of Utilisations

Up to five (5) Utilisations may be made under the Facility.

5.4Currency and amount

(a)The currency specified in the Utilisation Request must be KRW.

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(b)The amount of the proposed Loan must be an amount which is not more than the Available Facility and which is a minimum of KRW10,000,000,000 or, if less, the Available Facility.

5.5Lenders’ participations

(a) If the conditions set out in Clause 4 (*Conditions of Utilisation*) and 5.1 (*Delivery of the Utilisation Request*) to 5.4 (*Currency and amount*) above have been met, each Lender shall make its participation in the Loan available by the Utilisation Date through its Facility Office.

(b) The amount of each Lender’s participation in the Loan will be equal to the proportion borne by its Available Commitment to the Available Facility immediately prior to making the Loan.

(c) The Facility Agent shall notify each Lender of the amount of each Loan and the amount of its participation in the Loan by the Specified Time.

5.6Cancellation of Commitment

All unutilised Commitments in respect of a Facility shall be cancelled on the last day of the Availability Period applicable to that Facility.

6.REPAYMENT

6.1Repayment of Loan

The Borrower shall repay the aggregate Loans in full on the Final Repayment Date.

7.PREPAYMENT AND CANCELLATION

7.1Illegality

If, at any time, it is or will become unlawful for a Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain its participation in any Loan:

- (a)that Lender shall promptly notify the Facility Agent upon becoming aware of that event;
- (b)upon the Facility Agent notifying the Borrower, the Commitment of that Lender will be immediately cancelled; and
- (c)the Borrower shall repay that Lender's participation in the Loans on the last day of the Interest Period for each Loan occurring after the Facility Agent has notified the Borrower or, if earlier, the date specified by the Lender in the notice delivered to the Facility Agent (being no earlier than the last day of any applicable grace period permitted by law).

If at any time the Borrower is required to prepay any Loan of a Lender affected in the manner described in this Clause 7.1 (*Illegality*), then the Borrower, on ten (10) Business Days' prior written notice to the Facility Agent and such Lender (an “**Affected Lender**”), may request the Affected Lender to (and such Affected Lender shall) transfer all (and not part only) of its rights and obligations under the relevant Finance Documents relating to the relevant portion of any Loan to be so prepaid (on terms that are agreeable to the Affected Lender and at the cost of the Borrower) to another Lender or to another bank or financial institution that is selected by the Borrower and that confirms its willingness to assume and does assume all the obligations of the Affected Lender.

7.2Voluntary cancellation

The Borrower may, if it gives the Facility Agent not less than ten (10) Business Days' (or such shorter period as the Majority Lenders may agree) prior notice, reduce the Available Facility to zero or by such amount (being a minimum amount of KRW10,000,000,000 and in integral multiples of KRW1,000,000,000) as the Borrower may specify in such notice. Any such reduction under this Clause 7.2 shall reduce the Commitments of the Lenders rateably.

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7.3Voluntary prepayment of the Loan

The Borrower may, if it gives the Facility Agent not less than ten (10) Business Days' (or such shorter period as the Majority Lenders may agree) prior notice, prepay at any time the whole or any part of the Loans (but, if in part, being an amount that reduces the amount of the aggregate Loans by a minimum amount of KRW10,000,000,000 and in integral multiples of KRW1,000,000,000).

7.4**Right of prepayment and cancellation in relation to a single Lender**

- (a) If:
- (i) any sum payable to any Lender by the Borrower is required to be increased under paragraph (a) of Clause 12.2 (*Tax gross-up*); or
  - (ii) any Lender claims indemnification from the Borrower under Clause 12.3 (*Tax indemnity*) or Clause 13.1 (*Increased costs*),
- the Borrower may, whilst the circumstance giving rise to the requirement for that increase or indemnification continues, give the Facility Agent notice of cancellation of the Commitment of that Lender and its intention to procure the prepayment of that Lender's participation in the Loans.
- (b) On receipt of a notice of cancellation referred to in paragraph (a) above, the Commitment of that Lender shall immediately be reduced to zero.
- (c) On the last day of each Interest Period which ends after the Borrower has given notice of cancellation under paragraph (a) above, the Borrower shall prepay that Lender's participation in the relevant Loan.

7.5**Restrictions**

- (a) Any notice of cancellation or prepayment given by any Party under this Clause 7 shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant cancellation or prepayment is to be made and the amount of that cancellation or prepayment.
- (b) Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid without prepayment fee or penalty.
- (c) The Borrower may not reborrow any part of the Facility which is prepaid.
- (d) The Borrower shall not repay or prepay all or any part of the Loans or reduce any Commitment except at the times and in the manner expressly provided for in this Agreement.
- (e) If any Commitment is reduced or cancelled in accordance with this Agreement, the amount of such reduction may not be subsequently reinstated.
- (f) If the Facility Agent receives a notice under this Clause 7 it shall promptly forward a copy of that notice to either the Borrower or the affected Lender, as appropriate.

8.**MANDATORY PREPAYMENT**

8.1**Definitions relating to mandatory prepayment**

- For the purposes of this Clause 8:
- “**Disposition of Target Shares**” means the disposal or sale by the Borrower of shares issued by the Target.
- “**Net Proceeds**” means, with respect to any Prepayment Event:
- (a) the gross cash proceeds (including payments from time to time in respect of instalment obligations



or deferred purchase consideration, if applicable) received by or on behalf of the Borrower in respect of such Prepayment Event;

**less**

(b) the sum of:

(i) the amount, if any, of all taxes paid or estimated to be payable by the Borrower in connection with such Prepayment Event; and

(ii) reasonable and customary fees, commissions, expenses, issuance costs, discounts and other costs paid by the Borrower in connection with such Prepayment Event, in case only to the extent not already deducted in arriving at the amount referred to in paragraph (a) above.

**"Prepayment Event"** means any of Disposition of Target Shares, Relevant Disposal, Relevant Debt Incurrence and Relevant Distribution.

**"Relevant Debt Incurrence"** means the incurrence of any Financial Indebtedness by the Borrower which is not the Permitted Indebtedness.

**"Relevant Disposal"** means a disposal of any asset by the Borrower.

**"Relevant Distribution"** means any Distribution received by the Borrower.

**8.2Mandatory Prepayment**

The Borrower shall apply the Net Proceeds of any Prepayment Event towards the prepayment of the Loans promptly upon receipt of the Net Proceeds.

**9.INTEREST**

**9.1Calculation of interest**

The rate of interest on each Loan is the percentage rate per annum which is the aggregate of the applicable:

(a) Margin; and

(b) Base Rate.

**9.2Payment of interest**

The Borrower shall pay accrued interest on each Loan on each Interest Payment Date.

**9.3Default interest**

If the Borrower fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the Unpaid Sum from the due date to the date of actual payment (both before and after judgment) at a rate which is five (5) per cent. higher than the highest interest rate applicable to any Loan on such due date.

**9.4Notification of rates of interest**

The Facility Agent shall promptly notify the Lenders and the Borrower of the determination of a rate of interest under this Agreement.

**10.INTEREST PERIODS**

**10.1Interest Periods**

(a) Subject to paragraphs (b) and (d) below, The Interest Period for a Loan shall be three (3) Months.

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(b) An Interest Period for a Loan shall not extend beyond the Final Repayment Date.

(c) The Interest Period for a Loan shall start on the relevant Utilisation Date or (if a Loan has already been made) on the last day of the preceding Interest Period of the Loan.

(d) The initial Interest Period for a Loan which is not made on the Initial Utilisation Date shall start on the relevant Utilisation Date and end on the immediately next last day of an Interest Period for the existing Loan. Thereafter, the Interest Period for such Loan shall start on the last day of the preceding Interest Period.

**10.2Non-Business Days**

If an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

11.FEES

11.1Upfront fee

The Borrower shall pay to the Facility Agent (on behalf of the Original Lender) an upfront fee in the amount and at the times agreed in a Fee Letter.

11.2Facility Agent fee

The Borrower shall pay to the Facility Agent (for its own account) a facility agent fee in the amount and at the times agreed in a Fee Letter.

11.3Security Agent fee

The Borrower shall pay to the Security Agent (for its own account) a security agent fee in the amount and at the times agreed in a Fee Letter.

12.TAX GROSS-UP AND INDEMNITIES

12.1Tax definitions

(a) In this Clause 12:

"Tax Credit" means a credit against, relief or remission for, or repayment of any Tax.

"Tax Deduction" means a deduction or withholding for or on account of Tax from a payment under a Finance Document.

"Tax Payment" means an increased payment made by the Borrower to a Finance Party under Clause 12.2 (Tax gross-up) or a payment under Clause 12.3 (Tax indemnity).

(b) Unless a contrary indication appears, in this Clause 12 a reference to "determines" or "determined" means a determination made in the absolute discretion of the person making the determination.

12.2Tax gross-up

(a) All payments to be made by the Borrower to any Finance Party under the Finance Documents shall be made free and clear of and without any Tax Deduction unless the Borrower is required to make a Tax Deduction, in which case the sum payable by the Borrower (in respect of which such Tax Deduction is required to be made) shall be increased to the extent necessary to ensure that such Finance Party receives a sum net of any deduction or withholding equal to the sum which it would have received had no such Tax Deduction been made or required to be made.

(b) The Borrower shall promptly upon becoming aware that the Borrower must make a Tax Deduction (or that

there is any change in the rate or the basis of a Tax Deduction) notify the Facility Agent accordingly. Similarly, a Lender shall notify the Facility Agent on becoming so aware in respect of a payment payable to that Lender. If the Facility Agent receives such notification from a Lender it shall notify the Borrower.

- (c) If the Borrower is required to make a Tax Deduction, the Borrower shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.
- (d) Within thirty (30) days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Borrower making that Tax Deduction shall deliver to the Facility Agent for the Finance Party entitled to the payment evidence reasonably satisfactory to that Finance Party that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

**12.3Tax indemnity**

(a) Without prejudice to Clause 12.2 (*Tax gross-up*), if any Finance Party is required to make any payment of or on account of Tax on or in relation to any sum received or receivable under the Finance Documents or if any liability in respect of any such payment is asserted, imposed, levied or assessed against any Finance Party, the Borrower shall, within ten (10) Business Days of demand of the Facility Agent, promptly indemnify the Finance Party which suffers a loss or liability as a result against such payment or liability, together with any interest, penalties, costs and expenses payable or incurred in connection therewith, provided that this Clause 12.3 shall not apply to:

- (i) any Tax imposed on and calculated by reference to the net income actually received or receivable by such Finance Party by the jurisdiction in which such Finance Party is incorporated; or
- (ii) any Tax imposed on and calculated by reference to the net income of the Facility Office of such Finance Party actually received or receivable by such Finance Party by the jurisdiction in which its Facility Office is located.

(b) A Finance Party intending to make a claim under paragraph (a) shall notify the Facility Agent of the event giving rise to the claim, whereupon the Facility Agent shall notify the Borrower thereof.

(c) A Finance Party shall, on receiving a payment from the Borrower under this Clause 12.3, notify the Facility Agent.

**12.4Tax credit**

If the Borrower makes a Tax Payment and the relevant Finance Party determines that:

- (a) a Tax Credit is attributable to that Tax Payment; and
- (b) that Finance Party has obtained, utilised and retained that Tax Credit,

the Finance Party shall pay an amount to the Borrower which that Finance Party determines will leave it (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been required to be made by the Borrower.

**12.5Stamp taxes**

The Borrower shall:

- (a) pay all stamp duty, registration and other similar Taxes payable in respect of any Finance Document, and
- (b) within ten (10) Business Days of demand, indemnify each Finance Party against any cost, loss

or liability that Finance Party incurs in relation to any stamp duty, registration or other similar Tax paid or payable in respect of any Finance Document.

#### 12.6Indirect tax

(a)All amounts set out or expressed in a Finance Document to be payable by any Party to a Finance Party shall be deemed to be exclusive of any Indirect Tax. If any Indirect Tax is chargeable on any supply made by any Finance Party to any Party in connection with a Finance Document, that Party shall pay to the Finance Party (in addition to and at the same time as paying the consideration) an amount equal to the amount of the Indirect Tax.

(a) Where a Finance Document requires any Party to reimburse a Finance Party for any costs or expenses, that Party shall also at the same time pay and indemnify the Finance Party against all Indirect Tax incurred by that Finance Party in respect of the costs or expenses to the extent the Finance Party reasonably determines that it is not entitled to credit or repayment in respect of the Indirect Tax.

### 13.INCREASED COSTS

#### 13.1Increased costs

(a) Subject to Clause 13.3 (*Exceptions*) the Borrower shall, within ten (10) Business Days of a demand by the Facility Agent, pay for the account of a Finance Party the amount of any Increased Costs incurred by that Finance Party or any of its Affiliates as a result of (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation or (ii) compliance with any law or regulation made after the date of this Agreement. The terms "law" and "regulation" in this paragraph (a) shall include, without limitation, any law or regulation concerning capital adequacy, liquidity, reserve assets or Tax.

(b) If at any time the Borrower is required to pay any additional amount to a Lender pursuant to the paragraph (a) above, then the Borrower, on ten (10) Business Days' prior written notice to the Facility Agent and such Lender, may request that Lender to (and that Lender shall) transfer all (and not part only) of its rights and obligations under the relevant Finance Documents (on terms that are agreeable to that Lender and at the cost of the Borrower) to another Lender or to another bank or financial institution that is selected by the Borrower and that confirms its willingness to assume and does assume all the obligations of that Lender.

(c) In this Agreement "**Increased Costs**" means:

(i)a reduction in the rate of return from the Facility or on a Finance Party's overall capital;

(ii)an additional or increased cost; or

(iii)a reduction of any amount due and payable under any Finance Document,

which is incurred or suffered by a Finance Party to the extent that it is attributable to the undertaking, funding or performance by such Finance Party of any of its obligations under any Finance Document or any participation of such Finance Party in the Loan or Unpaid Sum.

#### 13.2Increased cost claims

(a) A Finance Party intending to make a claim pursuant to Clause 13.1 (*Increased costs*) shall notify the Facility Agent of the event giving rise to the claim, following which the Facility Agent shall promptly notify the Borrower.

(b) Each Finance Party shall, as soon as practicable after a demand by the Facility Agent, provide a certificate confirming the amount of its Increased Costs.

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#### 13.3Exceptions

Clause 13.1 (*Increased costs*) does not apply to the extent any Increased Cost is:

- (a) attributable to a Tax Deduction required by law to be made by the Borrower;
- (b) compensated for by Clause 12.3 (*Tax indemnity*); or
- (c) attributable to the wilful breach by the relevant Finance Party of any law or regulation.

**14.MITIGATION BY THE LENDERS**

**14.1Mitigation**

(a) Each Finance Party shall, in consultation with the Borrower, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to, or cancelled pursuant to, any of Clause 7.1 (*Illegality*), Clause 12 (*Tax gross-up and indemnities*) or Clause 13 (*Increased costs*), including:

- (i) providing such information as the Borrower may reasonably request in order to permit the Borrower to determine its entitlement to claim any exemption or other relief (whether pursuant to a double taxation treaty or otherwise) from any obligation to make a Tax Deduction; and
- (ii) in relation to any circumstances which arise following the date of this Agreement, transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office.

(b) Paragraph (a) above does not in any way limit the obligations of the Borrower under the Finance Documents.

**14.2Limitation of liability**

(a) The Borrower shall promptly indemnify each Finance Party for all costs and expenses reasonably incurred by that Finance Party as a result of steps taken by it under Clause 14.1 (*Mitigation*).

(b) A Finance Party is not obliged to take any steps under Clause 14.1 (*Mitigation*) if, in the opinion of that Finance Party (acting reasonably), to do so might be prejudicial to it.

**14.3Conduct of business by the Finance Parties**

No provision of this Agreement will:

- (a) interfere with the right of any Finance Party to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;
- (b) oblige any Finance Party to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or
- (c) oblige any Finance Party to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax.

**15.OTHER INDEMNITIES**

**15.1Other indemnities**

The Borrower shall, within ten (10) Business Days of demand, indemnify each Secured Party against any cost, loss or liability incurred by that Secured Party as a result of:

- (a) the occurrence of any Event of Default;
- (b) the information produced or approved by the Borrower being misleading and/or deceptive in any material respect;

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- (c) any enquiry, investigation, subpoena (or similar order) or litigation with respect to the Borrower or with respect to the transactions contemplated or financed under this Agreement;
- (d) a failure by the Borrower to pay any amount due under a Finance Document on its due date or in the relevant currency;
- (e) funding, or making arrangements to fund, its participation in a Loan requested by the Borrower in the Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of gross negligence or wilful misconduct of that Finance Party); or
- (f) a Loan (or part of a Loan) not being prepaid in accordance with a notice of prepayment given by the Borrower.

**15.2Indemnity to the Facility Agent**

The Borrower shall promptly indemnify the Facility Agent against any cost, loss or liability incurred by the Facility Agent (acting reasonably) as a result of:

- (a) investigating any event which it reasonably believes is a Default; or
- (b) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised.

**15.3Indemnity to the Secured Parties**

The Borrower shall promptly indemnify the Secured Parties against any cost, loss or liability incurred by any of them as a result of:

- (a) the taking, holding, protection or enforcement of the Transaction Security;
- (b) the exercise of any of the rights, powers, discretions and remedies vested in the Secured Parties by the Finance Documents or by law; and
- (c) any default by the Borrower or a member of the Group in the performance of any of the obligations expressed to be assumed by it in the Finance Documents.

**16.COSTS AND EXPENSES**

**16.1Transaction expenses**

The Borrower shall, within ten (10) Business Days of demand, pay the Administrative Parties the amount of all costs and expenses (including, but not limited to, legal fees, travel, due diligence and out-of-pocket expenses) reasonably incurred by any of them in connection with the negotiation, preparation, execution, syndication and perfection of:

- (a) this Agreement and any other documents referred to in this Agreement and the Transaction Security; and
- (b) any other Finance Documents executed after the date of this Agreement.

**16.2Amendment costs**

If the Borrower requests an amendment, waiver or consent, the Borrower shall, within ten (10) Business Days of demand, reimburse each of the Facility Agent and the Security Agent for the amount of all costs and expenses (including, but not limited to, legal fees) reasonably incurred by the Facility Agent and the Security Agent in responding to, evaluating, negotiating or complying with that request or requirement.

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**16.3Enforcement and preservation costs**

The Borrower shall, within ten (10) Business Days of demand, pay to each Secured Party the amount of all costs and expenses (including, but not limited to, legal fees) incurred by that Secured Party in connection with the enforcement of, or the preservation of any rights under, any Finance Document and the Transaction Security and any proceedings instituted by and against a Secured Party as a consequence of taking or holding the Transaction Security or enforcing these rights.

**17.REPRESENTATIONS**

The Borrower makes the representations and warranties set out in this Clause 17 to each Finance Party on the date of this Agreement.

**17.1Status**

(a) It is a corporation, duly incorporated and validly existing under the laws of Korea.

(b) It has the power to own its assets and carry on its business as it is being conducted.

**17.2Binding obligations**

The obligations expressed to be assumed by it in each Finance Document, are legal, valid, binding and enforceable obligations.

**17.3Non-conflict with other obligations**

The entry into and performance by it of, and the transactions contemplated by, the Finance Documents is not and will not be in conflict which has or is reasonably likely to have a Material Adverse Effect with:

(a) any law or regulation applicable to it;

(b) its constitutional documents; or

(c) any agreement or instrument binding upon it or any of its assets.

**17.4Power and authority**

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Finance Documents to which it is a party and the transactions contemplated by those Finance Documents.

**17.5Validity and admissibility in evidence**

All Authorisations required or desirable:

(a) to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents to which it is a party;

(b) to make the Finance Documents to which it is a party admissible in evidence; and

(c) for it to carry on their business,

have been obtained or effected and are in full force and effect.

**17.6Deduction of Tax**

Except as specifically referred to in any legal opinion delivered in accordance with Clause 4 (*Conditions of Utilisation*), it is not required to make any deduction for or on account of Tax from any payment it may make under any Finance Document.

**17.7No filing or stamp taxes**

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Except as specifically referred to in in any legal opinion delivered in accordance with Clause 4 (*Conditions of Utilisation*), it is not necessary that the Finance Documents be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to the Finance Documents or the transactions contemplated by the Finance Documents except for stamp taxes in a nominal amount that are payable on each copy or counterpart of the Finance Documents that are executed in Korea.

17.8**No default**

- (a) No Event of Default is continuing or is expected to result from the making of any Utilisation.
- (b) No other event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on it or to which its assets are subject which might have a Material Adverse Effect.

17.9**Information**

- (a) Except as otherwise disclosed by the Borrower to the Facility Agent prior to the date of this Agreement, it is not aware of any untrue statement of any material fact it made, or of any omission of any material fact from any of the information it provided.
- (b) All other factual information provided in writing by or on behalf of the Borrower or any member of the Group (including its advisers) to any Finance Party is true and complete in all materials respects as at the date such information is provided or as at the date (if any) at which it is stated, and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make such information, in light of the circumstances in which such information is provided, not misleading in any material respect. For the avoidance of doubt, any information or data relating to budgets, forecasts and other business or financial projections and all other forward-looking information in relation to the Borrower that may have been provided by the Borrower or its representatives shall not be viewed as facts or a guarantee of performance or achievement of any particular results.

17.10**Financial statements**

- (a) The financial statements most recently supplied by it to the Facility Agent (which, at the date of this Agreement, are the Original Financial Statements) were prepared in accordance with K-IFRS (in the case of the Original Financial Statements, GAAP) consistently applied.
- (b) The financial statements most recently supplied by it to the Facility Agent (which, at the date of this Agreement, are the Original Financial Statements) give a true and fair view and represent its (in the case of the Original Financial Statements, Target's) financial condition and operations during the relevant financial year.
- (c) There has been no material adverse change in the business or financial condition of the Target since the date of the Original Financial Statements.

17.11**Pari passu ranking**

Its payment obligations under the Finance Documents rank at least *pari passu* with the claims of all of its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

17.12**No proceedings pending or threatened**

No litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency have been started or threatened against it or any of its Subsidiaries which, if adversely determined, might reasonably be expected to have a Material Adverse Effect.

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17.13**Authorised Signatures**



- Any person specified as its authorised signatory under Schedule 1 (*Conditions of Utilisation*) or paragraph (e) of Clause 18.3 (*Information: miscellaneous*) is authorised to sign Utilisation Requests and other notices on its behalf.
- 17.14**Security**  
No Security exists on all or any of the present or future assets of any member of the Group other than any Security permitted under Clause 19.4 (*Negative Pledge*).
- 17.15**Ranking**  
The Transaction Security has or will have first ranking priority and it is not subject to any prior ranking or *pari passu* ranking Security.
- 17.16**Transaction Security**  
Each Security Document to which it is a party validly creates the Security which is expressed to be created by that Security Document.
- 17.17**Good title to assets**  
It has good, valid and marketable title to, or valid leases or licences of, and all appropriate Authorisations to use, the assets necessary to carry on its business as presently conducted.
- 17.18**Legal and beneficial owner**  
It is the absolute legal owner and beneficial owner of the assets subject to the Transaction Security.
- 17.19**Insolvency**  
(a) It is able to meet its obligations as they fall due, and it does not or has not admitted any inability to pay its debts as they fall due or has suspended making payments on any of its debts.  
(b) No moratorium has been declared in respect of any of the indebtedness of the Borrower.  
(c) None of the events referred to in Clause 20.6 (*Insolvency proceedings*) has occurred nor been threatened in relation to the Borrower.
- 17.20**Taxation**  
(a) It has paid and discharged all material Taxes imposed upon it or any of its assets within the time period allowed without incurring penalties, save to the extent that (a) payment of such Taxes is being contested in good faith and (b) it has maintained reserves (that are, in its good faith determination, adequate) for such Taxes.  
(b) It is not materially overdue in the filing of any Tax returns where late filing will result in the imposition of any material fine, penalty or liability on it or such member of the Group.  
(c) No claims or investigations are being, or are reasonably likely to be, made or conducted against it with respect to Taxes, such that a material liability of or claim against it is reasonably likely to arise or become outstanding except for any such claim or investigations that are being or will be contested in good faith and in respect of which the Restricted Group is entitled to full indemnification.
- 17.21**Group structure**  
(a) The Sponsor owns all of the issued shares in the Borrower.  
(b) The Sponsor owns not less than, as of the date hereof 74,720,000 shares in the Target, being 69.9% of the total issued and outstanding shares in the Target.

Other than the Drawdown Account, the Tender Offer Account and such other account that has been granted as security in favour of the Secured Parties pursuant to the Security Documents, no account has been opened and maintained by the Borrower.

**17.23Repetition**

The Repeating Representations are deemed to be made by the Borrower by reference to the facts and circumstances then existing on the date of the Utilisation Request, Utilisation Date and the first day of each Interest Period.

**18.INFORMATION UNDERTAKINGS**

The undertakings in this Clause 18 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

**18.1Financial statements**

The Borrower shall supply to the Facility Agent:

- (a) as soon as the same become available, but in any event within 120 days after the end of each of its financial years:
  - (i) its audited consolidated and non-consolidated financial statements for that financial year, provided that its obligation under this sub-clause shall not apply on or prior to the Acquisition Closing Date;
  - (ii) the audited consolidated and non-consolidated financial statement of the Target for that financial year; and
- (b) as soon as the same become available, but in any event within 90 days after the end of the first half of each of its financial year:
  - (i) its reviewed consolidated and non-consolidated financial statements for that financial half-year; and
  - (ii) the reviewed consolidated and non-consolidated financial statements of the Target for that financial half-year.

**18.2Requirements as to financial statements**

- (a) Each set of financial statements delivered by the Borrower pursuant to Clause 18.1 (*Financial statements*) shall be certified by a director of the Borrower as fairly representing its financial condition as at the date as at which those financial statements were drawn up.
- (b) The Borrower shall procure that each set of financial statements delivered pursuant to Clause 18.1 (*Financial statements*) is prepared using GAAP and/or K-IFRS (as applicable).

**18.3Information: miscellaneous**

The Borrower shall supply to the Facility Agent (in sufficient copies for all the Finance Parties, if the Facility Agent so requests):

- (a) all documents despatched by the Borrower to its shareholders (or any class of them) or its creditors generally at the same time as they are despatched;
- (b) promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against any member of the Group, and

which might, if adversely determined, have a Material Adverse Effect;

- (c) promptly upon becoming aware of them, any material claims which Borrower has against any of its insurers;
- (d) promptly, such further information regarding the financial condition, business and operations of any member of the Group as any Finance Party (through the Facility Agent) may reasonably request; and
- (e) promptly, notice of any change in authorised signatories of the Borrower accompanied by specimen signatures of any new authorised signatories.

#### 18.4Notification of default

(a) The Borrower shall notify the Facility Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.

(b) Promptly upon a request by the Facility Agent, the Borrower shall supply to the Facility Agent a certificate signed by its representative director certifying that no Default is continuing (or if a Default is continuing, specifying the Default and the steps, if any, being taken to remedy it).

#### 19.GENERAL UNDERTAKINGS

The undertakings in this Clause 19 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

##### 19.1Authorisations

The Borrower shall promptly obtain, comply with and do all that is necessary to maintain in full force and effect any Authorisation required to enable it to perform its obligations under the Finance Documents and to ensure the legality, validity, enforceability or admissibility in evidence of any Finance Document.

##### 19.2Compliance with laws

The Borrower shall comply in all respects with all laws to which it may be subject, if failure so to comply would materially impair its ability to perform its obligations under the Finance Documents.

##### 19.3Pari passu ranking

The Borrower shall ensure that its payment obligations under the Finance Documents rank and continue to rank at least *pari passu* with the claims of all of its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

##### 19.4Negative pledge

(a) The Borrower shall not create or permit to subsist any Security over any of its assets.

(b) Paragraphs (a) above do not apply to:

- (i) any netting or set-off arrangement entered into in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances and in the ordinary course of its banking activity;
- (ii) any lien arising by operation of law and in the ordinary course of business **provided that** the debt which is secured thereby is paid when due or contested in good faith by appropriate proceedings and properly provisioned;
- (iii) any Transaction Security; and

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- (iv) any Security permitted by the Facility Agent.

##### 19.5Disposals

The Borrower shall not enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, transfer or otherwise dispose of any asset, except for any Permitted Disposal.

**19.6Merger**

The Borrower shall not enter into any amalgamation, demerger, merger or corporate reconstruction.

**19.7Change of business**

The Borrower shall not substantially change the general nature of its business from that carried on at the date of this Agreement except for business which is related, incidental or similar to the business of the Group.

**19.8Acquisitions**

The Borrower shall not acquire any company, business, assets or make any investment or incorporate a company or corporation other than the Acquisition.

**19.9Loans and guarantees**

The Borrower shall not make any loans, grant any credit or give any guarantee or indemnity (except as required under any of the Finance Documents) to or for the benefit of any person or otherwise voluntarily assume any liability, whether actual or contingent, in respect of any obligation of any person.

**19.10Financial Indebtedness**

(a) The Borrower shall not incur any Financial Indebtedness.

(b) Paragraph (a) above does not apply to any Permitted Indebtedness.

**19.11Distributions**

The Borrower shall not:

(i) declare, make or pay any dividend, charge, fee or other distribution (or interest on any unpaid dividend, charge, fee or other distribution) (whether in cash or in kind) on or in respect of its share capital (or any class of its share capital);

(ii) pay any management, advisory or other fee to or to the order of any of the shareholders of the Borrower; or

(iii) redeem, reduce, repurchase, defease, retire or repay any of the Borrower's share capital or resolve to do so.

**19.12Preservation of Assets**

The Borrower shall maintain and preserve all of its assets that are necessary or desirable, in the opinion of the Security Agent, for the conduct of its business, as conducted at the date of this Agreement, in good working order and condition, ordinary wear and tear excepted.

**19.13Access**

The Borrower shall:

(a) on request of the Facility Agent, provide the Facility Agent and Security Agent with any information the Facility Agent or Security Agent may reasonably require about that company's business and affairs, the Charged Property and its compliance with the terms of the Security Documents; and

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(b) permit the Security Agent, its representatives, delegates, professional advisers and contractors, free access at all reasonable times and on reasonable notice at the cost of the Borrower, (i) to inspect and take copies and extracts from the books, accounts and records of that company and (ii) to view the Charged Property.

**19.14Further assurance**

(a) The Borrower shall promptly do all such acts or execute all such documents (including assignments, transfers, mortgages, charges, notices and instructions) as the Security Agent may reasonably specify (and in such form as the Security Agent may require in favour of the Security Agent or its nominee(s)):

(i) to perfect the Security created or intended to be created under or evidenced by the Security Documents or for the exercise of any rights, powers and remedies of the Security Agent or the Finance Parties provided by or pursuant to the Finance Documents or by law; and/or

(ii) to facilitate the realisation of the assets which are, or are intended to be, the subject of the Transaction Security.

(b) The Borrower shall take all such action as is available to it (including making all filings and registrations) as may be necessary for the purpose of the creation, perfection, protection or maintenance of any Security conferred or intended to be conferred on the Security Agent or the Finance Parties by or pursuant to the Finance Documents.

(c) If any assets acquired by any member of the Group after the Initial Utilisation Date and such assets are required to be subject to the Transaction Security in accordance with the applicable Security Document, the Borrower shall cause such assets to be subjected to the Security Document to which such assets are related and will take, such actions as shall be necessary or requested by the Security Agent to grant and perfect such Transaction Security consistent with the applicable requirements of the applicable Security Documents (including, where appropriate, by execution of a supplement to an applicable Security Document in the form required under such Security Document or, to the extent, requested by the Security Agent, execution of a new Security Document in form and substance satisfactory to the Security Agent) all at the expense of the Borrower.

**19.15Taxation**

The Borrower shall pay and discharge all material Taxes imposed upon it or its assets within the time period allowed without incurring penalties unless and only to the extent that:

(a) payment of such Taxes is being contested in good faith; and

(b) reserves (that are determined by the Borrower in good faith to be adequate) are being maintained for such Taxes.

**19.16 Books and records, access**

The Borrower shall:

(a) maintain books, accounts and records (with respect to itself and its business) in good order; and

(b) permit each of the Lenders and/or accountants, agents, representatives and/or other professional advisers of the Lenders free access at all reasonable times and on reasonable notice (after consultation with the Borrower) to:

(iii) inspect and take copies and extracts from the books, accounts and records of the Borrower;

(iv) view any physical assets which are the subject of any Transaction Security;

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(v) access and inspect the premises of the Borrower; and

(vi) meet and discuss matters with officers and senior management of the Borrower,

and in each case where any of the foregoing rights are exercised at any time during the continuance of an Event of Default, the Borrower shall, as soon as reasonably practicable and in any event within ten (10) Business Days of demand on the Borrower, pay (and/or reimburse the Lenders against) any and all costs and expenses of such accountants, agents and/or other professional advisers of the Lenders properly incurred in connection with any or all of the foregoing (and, for the avoidance of doubt, if the foregoing rights are exercised at a time when no Event of Default is continuing, the Borrower shall not have any obligation to pay or reimburse the Lenders against any such costs or expenses).

**19.17Arm's length basis**

The Borrower shall not sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except for transactions in the ordinary course of business at prices and on terms and conditions not less favorable to it than could be obtained on an arm's length basis from unrelated third parties.

**19.18Conditions Subsequent**

- (a) The Borrower shall receive an in-kind equity contribution from the Sponsor of not less than 74,720,000 shares in the Target (being 69.9% of the total issued and outstanding shares of the Target) within 6 months of the date of this Agreement and the Borrower shall pledge such shares in the Target contributed by the Sponsor to the Secured Parties in form and substance reasonably satisfactory to the Security Agent within 6 months of the date of this Agreement.
- (b) The Borrower shall, every time it acquires shares in the Target, pledge such shares to the Secured Parties as soon as practicable following such acquisition in form and substance reasonably satisfactory to the Security Agent.
- (c) The Borrower shall, within five (5) Business Days from the Initial Utilisation Date unless otherwise extended, (i) deliver a copy of public notice of commencement of a tender to the Facility Agent and (ii) file a report with the Financial Supervisory Service regarding the Tender Offer.

**19.19Holding company**

- (a) The Borrower shall not carry on any business, own any assets, create any Security or incur or discharge any liability other than:
- (b) The Borrower shall not establish or acquire any direct Subsidiary other than the Target.

**19.20Bank Account**

- (a) The Borrower shall not open or maintain any account with any bank or other financial institution except for the Drawdown Account, the Tender Offer Account and any other account(s) as permitted by the Security Agent and is opened and maintained with the Security Agent.
- (b) The Borrower shall ensure that all amounts to be received by it or for its account are deposited into the Drawdown Account.
- (c) The Borrower may withdraw from the Drawdown Account any amount standing to the credit of that account and apply that amount only for the purposes contemplated in this Agreement (including, transferring the

- cost of the Acquisition to the Tender Offer Account).
- (d) The Borrower may withdraw from the Tender Offer Account any amount standing to the credit of that account and apply that amount only for the purpose of funding the costs of the Acquisition.
- (e) The Borrower irrevocably authorizes the Facility Agent to withdraw from the Drawdown Account any amount standing to the credit of that account and apply that amount for the purposes contemplated in this Agreement.

**19.21Account Pledge**

In the event that the Tender Offer is withdrawn or otherwise fails to be completed or successfully completed, the Borrower shall promptly (and, in any event, within three (3) Business Days from the date of such withdrawal or failure or completion) grant a pledge in respect of the Tender Offer Account in favour of the Secured Parties in form reasonably satisfactory to the Security Agent.

**20.EVENTS OF DEFAULT**

Each of the events or circumstances set out in the following sub-clauses of this Clause 20 (other than Clause 20.16 (*Acceleration*)) is an Event of Default.

**20.1Non-payment**

The Borrower does not pay on the due date any amount payable pursuant to a Finance Document at the place at and in the currency in which it is expressed to be payable unless:

- (a) its failure to pay is caused by administrative or technical error; and
- (b) payment is made within five (5) Business Days of its due date.

**20.2Other obligations**

- (a) Any member of the Group or the Sponsor does not comply with any provision of the Finance Documents to which it is a party (other than those referred to in Clause 20.1 (*Non-payment*)).
- (b) No Event of Default under paragraph (a) above will occur if the failure to comply is capable of remedy and is remedied within five (5) Business Days of the earlier of (A) the Facility Agent giving notice to the Borrower and (B) the Borrower becoming aware of the failure to comply.

**20.3Misrepresentation**

Any representation or statement made or deemed to be made by any member of the Group or the Sponsor in the Finance Documents or any other document delivered by or on behalf of such member of the Group or the Sponsor under or in connection with any Finance Document to which it is a party is or proves to have been incorrect or misleading in any material respect when made or deemed to be made.

**20.4Cross default**

- (a) Any Financial Indebtedness of any member of the Group is not paid when due nor within any originally applicable grace period.
- (b) Any Financial Indebtedness of any member of the Group is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).
- (c) Any commitment for any Financial Indebtedness of any member of the Group is cancelled or suspended by a creditor of any member of the Group as a result of an event of default (however described).
- (d) Any creditor of any member of the Group becomes entitled to declare any Financial Indebtedness of any member of the Group due and payable prior to its specified maturity as a result of an event of default

- (however described).
- (e) No Event of Default will occur under this Clause 20.4 if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (a) to (d) above is less than KRW 50,000,000,000 (or its equivalent in any other currency or currencies).
- 20.5 Insolvency**
- (a) A member of the Group is or is deemed to or declared for the purpose of the Bankruptcy Law to be unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness.
- (b) The value of the assets of any member of the Group is less than its liabilities for the purpose of the Bankruptcy Law on a going concern basis.
- (c) A moratorium is declared in respect of any indebtedness of any member of the Group.
- 20.6 Insolvency proceedings**
- Any corporate action, legal proceedings or other procedure or step is taken (in the case of a frivolous and vexatious involuntary action, proceeding or procedure unless discharged within thirty (30) days) in relation to:
- (a) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration, provisional supervision, rehabilitation or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of any member of the Group;
  - (b) the designation of the Borrower or any member of the Group as a failing company under the Corporate Restructuring Promotion Act of Korea;
  - (c) a composition or arrangement with any creditor of any member of the Group;
  - (d) the appointment of a liquidator, receiver, administrator, administrative receiver, judicial manager, compulsory manager, provisional supervisor or other similar officer in respect of any member of the Group or any of its assets; or
  - (e) enforcement of any Security over any assets of any member of the Group,
- or any analogous procedure or step is taken in any jurisdiction.
- 20.7 Creditors' process**
- Any expropriation, (provisional) attachment, sequestration, distress or execution affects any asset or assets of a member of the Group having an aggregate value of more than KRW 10,000,000,000 (provided that, in the case of a provisional attachment is not discharged, stayed or dismissed within thirty (30) days).
- 20.8 Unlawfulness**
- It is or becomes unlawful for any member of the Group or the Sponsor to perform any of its material obligations under the Finance Documents to which it is a party or any Transaction Security created or expressed to be created or evidenced by the Security Documents ceases to be effective.
- 20.9 Repudiation**
- Any member of the Group or the Sponsor repudiates a Finance Document to which it is a party or any of the Transaction Security.

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**20.10 Cessation of business**



- The Borrower suspends or ceases to carry on all or a material part of its business or of the business of the Group taken as a whole.
- 20.11 Audit Qualification**  
The auditor's report of the financial statements supplied to the Facility Agent pursuant to this Agreement contains a disclaimer of opinion ( ) or adverse opinion ( ).
- 20.12 Clearing house suspension**  
Seoul Clearing House suspends or ceases to carry on any current account transaction of any member of the Group.
- 20.13 Expropriation**  
All or any material part of the assets of any member of the Group are seized, nationalised, expropriated or compulsorily acquired by, or by the order of, any Governmental Agency.
- 20.14 Transaction Security**  
(a) Any member of the Group or the Sponsor fails to perform or comply with any of the obligations assumed by it in the Security Documents to which it is a party.  
(b) At any time any of the Transaction Security is or becomes unlawful or is not, or ceases to be legal, valid, binding or enforceable or otherwise ceases to be effective.  
(c) At any time, any of the Transaction Security fails to have first ranking priority or is subject to any prior ranking or *pari passu* ranking Security.
- 20.15 Material adverse change**  
Any event or circumstance occurs which the Majority Lender reasonably determines has a Material Adverse Effect.
- 20.16 Change of control**  
The Sponsor ceases to, directly or indirectly, own at least two-thirds (2/3) of all issued and outstanding shares of the Target.
- 20.17 Acceleration**  
(a) On the occurrence of an Event of Default under Clause 20.6 (*Insolvency Proceedings*) or Clause 20.12 (*Clearing house suspension*):  
(i) the Commitments shall immediately be cancelled;  
(ii) all or part of the Loans, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents shall be immediately due and payable; and  
(iii) the Facility Agent may, and shall if so directed by the Majority Lenders, exercise, or direct the Security Agent to exercise, any or all of its rights, remedies and powers under any of the Finance Documents.  
(b) On and at any time after the occurrence of an Event of Default (other than under Clause 20.6 (*Insolvency Proceedings*) or Clause 20.12 (*Clearing house suspension*)) which is continuing the Facility Agent may, and shall if so directed by the Majority Lenders, by notice to the Borrower:  
(i) without prejudice to the participations of any Lenders in the Loans then outstanding cancel the Commitments, whereupon they shall immediately be cancelled;
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- (ii) declare that all or part of the Loans, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, whereupon they shall become immediately due and payable;
- (iii) declare that all or part of the Loans be payable on demand, whereupon they shall immediately become payable on demand by the Facility Agent on the instructions of the Majority Lenders; and/or
- (iv) exercise, or direct the Security Agent to exercise, any or all of its rights, remedies and powers under any of the Finance Documents.
- 20.18 No prior business**

The Borrower (i) has not traded or carried on any business; (ii) does not have any liabilities or obligations (actual or contingent, present or future); or (iii) has not entered into any contracts, other than as contemplated by or in connection with the Finance Documents or the Acquisition.

**21.CHANGES TO THE PARTIES**

**21.1Transfers by the Lenders**

Subject to this Clause 21, a Lender (the "**Existing Lender**") may transfer any of its rights and obligations under the Finance Documents to another Korean bank or Korean branch of a non-Korean financial institution or Korean financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets (the "**New Lender**") in Korea.

**21.2Limitation of responsibility of Existing Lenders**

(a) Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:

- (i) the legality, validity, effectiveness, adequacy or enforceability of the Finance Documents, the Transaction Security or any other documents;
  - (ii) the financial condition of the Borrower;
  - (iii) the performance and observance by the Borrower of its obligations under the Finance Documents or any other documents; or
  - (iv) the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document or any other document,
- and any representations or warranties implied by law are excluded.

(b) Each New Lender confirms to the Existing Lender and the other Finance Parties that it:

- (v) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of the Borrower and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender in connection with any Finance Document; and
- (vi) will continue to make its own independent appraisal of the creditworthiness of the Borrower and its related entities whilst any amount is or may be outstanding under the Finance Documents or any Commitment is in force.

(c) Nothing in any Finance Document obliges an Existing Lender to:

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- (i) accept a re-transfer from a New Lender of any of the rights and obligations transferred under this Clause 21; or
- (ii) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by the Borrower of its obligations under the Finance Documents or otherwise.

**21.3Procedure for transfer**

(a) A transfer is effected in accordance with paragraph (b) below when the Facility Agent executes an otherwise duly completed Transfer Certificate delivered to it by the Existing Lender and the New Lender. The Facility Agent shall as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Transfer Certificate (on behalf of the Finance Parties and the Borrower in accordance with paragraph (c)) below and affix a fixed date stamp on such Transfer Certificate).

(b) On the Transfer Date:

- (i) to the extent that in the Transfer Certificate the Existing Lender seeks to transfer its rights and obligations under the Finance Documents and in respect of the Transaction Security the Borrower and the Existing Lender shall be released from further obligations towards one another under the Finance Documents and in respect of the Transaction Security and their respective rights against one another shall be cancelled (being the "**Discharged Rights and Obligations**");
- (ii) each of the Borrower and the New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as the Borrower and the New Lender have assumed and/or acquired the same in place of the Borrower and the Existing Lender;
- (iii) the Facility Agent, the Security Agent, the New Lender and other Lenders shall acquire the same rights and assume the same obligations between themselves and in respect of the Transaction Security as they would have acquired and assumed had the New Lender been the Original Lender with the rights and/or obligations acquired or assumed by it as a result of the transfer and to that extent the Facility Agent, the Security Agent and the Existing Lender shall each be released from further obligations to each other under this Agreement; and
- (iv) the New Lender shall become a Party as a "Lender" and entitled to the benefits of any other Finance Document entered into by the Facility Agent and/or Security Agent on behalf of the Lenders.

(c) For the purpose of any transfer pursuant to this Clause:

- (i) each of the Finance Parties (other than the Facility Agent) and the Borrower irrevocably appoints the Facility Agent as its attorney-in-fact with full power and authority on its behalf and in its name to execute any Transfer Certificate (appearing on its fact to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement);
- (ii) each Lender hereby irrevocably appoints the Facility Agent as such Lender's attorney-in-fact with full power and authority on its behalf and in its name to deliver any Transfer Certificate (to which it is a party) to the Borrower; and
- (iii) the Borrower hereby irrevocably appoints the Facility Agent as its attorney-in-fact with full power and authority on its behalf and in its name to take all actions as may be necessary in order to effect any transfer by any Lender in accordance with Clause 21 (*Changes to the Parties*).

(d) The procedure set out in this Clause 21.3 shall not apply to any right or obligation under any Finance Document (other than this Agreement) if and to the extent its terms, or any laws or regulations applicable thereto, provide for or require a different means of transfer of such right or obligation or prohibit or restrict any transfer of such right or obligation, unless such prohibition or restriction shall not be applicable to the relevant transfer or each condition of any applicable restriction shall have been satisfied.

**21.4 Copy of Transfer Certificate to Borrower**

The Facility Agent shall, as soon as reasonably practicable after it has executed a Transfer Certificate, send to the Borrower a copy of that Transfer Certificate (in contents and delivery certified mail).

**21.5Existing consents and waivers**

A New Lender shall be bound by any consent, waiver, election or decision given or made by the relevant Existing Lender under or pursuant to any Finance Document prior to the coming into effect of the relevant transfer to such New Lender.

**21.6Exclusion of Facility Agent's liability**

In relation to any transfer pursuant to this Clause 21, each Party acknowledges and agrees that the Facility Agent shall not be obliged to enquire as to the accuracy of any representation or warranty made by a New Lender in respect of its eligibility as a Lender.

**21.7Transfers by the Borrower**

The Borrower may not transfer any of its rights or obligations under any Finance Document, except with the prior written consent of all the Lenders.

**22.DISCLOSURE OF INFORMATION**

Any Finance Party may deliver copies of the Finance Documents and/or disclose any information received by it under or pursuant to any Finance Document or any other information about the Borrower, the Group and the Finance Documents as that Finance Party shall consider appropriate to:

- (a)any of its Affiliates;
- (b)its head office and any other branch;
- (c)any other Finance Party;
- (d)any of its professional advisers and any other person providing services to it (provided that such person is under a duty of confidentiality, contractual or otherwise, to such Finance Party);
- (e)the Borrower;
- (f)any person permitted by the Borrower;
- (g)any person to the extent required for the purpose of any litigation, arbitration or regulatory proceedings or procedure;
- (h)any person to whom, and to the extent that, information is required to be disclosed by any applicable law or regulation; and
- (i)any other person:

(i)to (or through) whom that Lender transfers (or may potentially transfer) all or any of its rights and obligations under this Agreement; or

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(ii)with (or through) whom that Lender enters into (or may potentially enter into) any sub-participation in relation to, or any other transaction under which payments are to be made by reference to, the Facility, this Agreement, the Borrower or any member of the Group.

The Borrower may deliver copies of the Finance Documents and/or disclose any information received by it under or pursuant to any Finance Document or any other information about the Finance Documents to any potential investor as it may consider appropriate.

This Clause supersedes any previous agreement relating to the confidentiality of such information.

**23.ROLE OF THE FACILITY AGENT**

**23.1Appointment of the Facility Agent**

(a)Each of the other Finance Parties (other than the Security Agent) appoints the Facility Agent to act as its agent under and in connection with the Finance Documents.

(b)Each of the other Finance Parties authorises the Facility Agent to exercise the rights, powers, authorities and discretions specifically given to the Facility Agent under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.

**23.2Duties of the Facility Agent**

(a)The Facility Agent shall promptly forward to a Party the original or a copy of any document which is delivered to the Facility Agent for that Party by any other Party.

(b)Except where a Finance Document specifically provides otherwise, the Facility Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.

(c)If the Facility Agent receives notice from a Party referring to this Agreement, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the Lenders.

(d)If the Facility Agent is aware of the non-payment of any principal, interest, commitment fee or other fee payable to a Finance Party (other than to any Administrative Party) under this Agreement it shall promptly notify the other Lenders.

(e)The Facility Agent's duties under the Finance Documents are solely mechanical and administrative in nature. The Facility Agent shall have no other duties save as expressly provided for in the Finance Documents.

(f)The Facility Agent shall promptly forward to the Security Agent a copy of all notices issued pursuant to Clause 20.17 (*Acceleration*).

**23.3No fiduciary duties**

(a)Nothing in this Agreement constitutes any Administrative Party as a trustee or fiduciary of any other person.

(b)No Administrative Party shall be bound to account to any Lender for any sum or the profit element of any sum received by it for its own account.

**23.4Business with the Group**

Any Administrative Party may accept deposits from, lend money to and generally engage in any kind of banking or other business with any member of the Group.

**23.5Rights and discretions of the Facility Agent**

(a)The Facility Agent may rely on:

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(i)any representation, notice or document believed by it to be genuine, correct and appropriately authorised and shall have no duty to verify any signature on any document; and

(ii)any statement purportedly made by a director, authorised signatory or employee of any person regarding any matters which may reasonably be assumed to be within his knowledge or within his power to verify.

(b)The Facility Agent may assume (unless it has received notice to the contrary in its capacity as agent for the Lenders) that:

(i)no Default has occurred (unless it has actual knowledge of a Default arising under Clause 20.1 (*Non-payment*)); and

(ii)any right, power, authority or discretion vested in any Party or the Majority Lenders has not been exercised.

(c)The Facility Agent may engage, pay for and rely on the advice or services of any lawyers, accountants, surveyors or other experts.

(d)The Facility Agent may act in relation to the Finance Documents through its personnel and agents.

(e)The Facility Agent may disclose to any other Party any information it reasonably believes it has received as agent under this Agreement.

(f)Notwithstanding any other provision of any Finance Document to the contrary, no Administrative Party is obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or a breach of a fiduciary duty or duty of confidentiality.

**23.6Majority Lenders' instructions**

(a)Unless a contrary indication appears in a Finance Document, the Facility Agent shall (i) exercise any right, power, authority or discretion vested in it as Facility Agent in accordance with any instructions given to it by the Majority Lenders (or, if so instructed by the Majority Lenders, refrain from exercising any right, power, authority or discretion vested in it as Facility Agent) and (ii) not be liable for any act (or omission) if it acts (or refrains from taking any action) in accordance with an instruction of the Majority Lenders.

(b)Unless a contrary indication appears in a Finance Document, any instructions given by the Majority Lenders will be binding on all the Finance Parties.

(c)The Facility Agent may refrain from acting in accordance with the instructions of the Majority Lenders (or, if appropriate, the Lenders) or under paragraph (d) below until it has received such security as it may require for any cost, loss or liability (together with any associated Indirect Tax) which it may incur in complying with the instructions.

(d)In the absence of instructions from the Majority Lenders, (or, if appropriate, the Lenders) the Facility Agent may act (or refrain from taking action) as it considers to be in the best interest of the Lenders.

(e)The Facility Agent is not authorised to act on behalf of a Lender (without first obtaining that Lender's consent) in any legal or arbitration proceedings relating to any Finance Document.

**23.7Exclusion of liability**

(a)Without limiting paragraph (b) below, the Facility Agent shall not be liable for any cost, loss or liability incurred by any Party as a consequence of:

(i)the Facility Agent having taken or having omitted to take any action under or in connection with



any Finance Document or the Transaction Security, unless directly caused by the Facility Agent's gross negligence or wilful misconduct; or

(ii) any delay in the crediting to any account of an amount required under the Finance Documents to be paid by the Facility Agent, if the Facility Agent shall have taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Facility Agent for the purpose of such payment.

(b) No Party (other than the Facility Agent) may take any proceedings against any officer, employee or agent of the Facility Agent in respect of any claim it might have against the Facility Agent or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document and any officer, employee or agent of the Facility Agent may rely on this Clause.

#### 23.8 **Lenders' indemnity to the Facility Agent**

Each Lender shall (in proportion to its share of the Total Commitments or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero) indemnify the Facility Agent, within three (3) Business Days of demand, against any cost, loss or liability incurred by the Facility Agent (otherwise than by reason of the Facility Agent's gross negligence or wilful misconduct) in acting as Facility Agent under the Finance Documents (unless the Facility Agent has been reimbursed by the Borrower pursuant to a Finance Document).

#### 23.9 **Resignation of the Facility Agent**

(a) The Facility Agent may resign by giving notice to the other Finance Parties and the Borrower, in which case the Majority Lenders (after prior consent of the Borrower (not to be unreasonably withheld)) may appoint a successor Facility Agent from among the Lenders.

(b) If the Majority Lenders have not appointed a successor Facility Agent in accordance with paragraph (a) above within 30 days after notice of resignation was given, the Facility Agent (after consultation with the Borrower) may appoint a successor Facility Agent (being a reputable bank or other financial institutions experienced in the type of transactions contemplated under this Agreement).

(c) The retiring Facility Agent shall make available to the successor Facility Agent such documents and records and provide such assistance as the successor Facility Agent may reasonably request for the purposes of performing its functions as Facility Agent under the Finance Documents.

(d) The Facility Agent's resignation notice shall take effect only upon the appointment of a successor in accordance with this Clause 23.9.

(e) Upon the appointment of a successor, the retiring Facility Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of this Clause 23. Its successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.

(f) The Facility Agent shall not be required to resign unless there is any gross negligence or wilful misconduct committed by the Facility Agent.

#### 23.10 **Confidentiality**

(a) In acting as agent for the Finance Parties, the Facility Agent shall be regarded as acting through its agency division which shall be treated as a separate legal person from any other of its branches, divisions or departments.

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(b) If information is received by another branch, division or department of the legal person which is the Facility Agent, it may be treated as confidential to that branch, division or department and the Facility Agent shall not be deemed to have notice of it.

#### 23.11 **Relationship with the Lenders**

(a) Subject to Clause 26.2 (*Distributions by the Facility Agent*), the Facility Agent may treat each Lender as a Lender, entitled to payments under this Agreement and acting through its Facility Office unless it has received not less than five (5) Business Days prior notice from that Lender to the contrary in accordance with the terms of this Agreement.

(b) Each Secured Party shall supply the Facility Agent with any information that the Security Agent may reasonably specify (through the Facility Agent) as being necessary or desirable to enable the Security Agent to perform its functions as security agent. Each Lender shall deal with the Security Agent exclusively through the Facility Agent and shall not deal directly with the Security Agent.

#### 23.12 **Deduction from amounts payable by the Facility Agent**

If any Party owes an amount to the Facility Agent under the Finance Documents the Facility Agent may, after giving notice to that Party, deduct an amount not exceeding that amount from any payment to that Party which the Facility Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Finance Documents that Party shall be regarded as having received any amount so deducted.

**24.ROLE OF SECURITY AGENT**

**24.1Duties and responsibilities**

Each of the parties to this Agreement agrees that the Security Agent shall have only those duties, obligations and responsibilities expressly specified in this Agreement or in the Security Documents (and no others shall be implied).

**24.2Security Agent's Instructions**

The Security Agent shall:

- (a) unless a contrary indication appears in a Finance Document, act in accordance with any instructions given to it by the Facility Agent and shall be entitled to assume that (i) any instructions received by it from the Facility Agent are duly given by or on behalf of the Majority Lenders or, as the case may be, the Lenders in accordance with the terms of the Finance Documents and (ii) unless it has received actual notice of revocation that any instructions or directions given by the Facility Agent have not been revoked;
- (b) be entitled to request instructions, or clarification of any direction, from the Facility Agent as to whether, and in what manner, it should exercise or refrain from exercising any rights, powers and discretions and the Security Agent may refrain from acting unless and until those instructions or clarification are received by it; and
- (c) be entitled to, carry out all dealings with the Lenders through the Facility Agent and may give to the Facility Agent any notice or other communication required to be given by the Security Agent to the Lenders.

**24.3Security Agent's Actions**

Subject to the provisions of this Clause 24:

- (a) the Security Agent may, in the absence of any instructions to the contrary, take such action in the exercise of any of its powers and duties under the Finance Documents which in its absolute



discretion it considers to be for the protection and benefit of all the Secured Parties; and

- (b) at any time after receipt by the Security Agent of notice from the Facility Agent directing the Security Agent to exercise all or any of its rights, remedies, powers or discretions under any of the Finance Documents, the Security Agent may, and shall if so directed by the Facility Agent, take any action as in its sole discretion it thinks fit to enforce the Transaction Security.

#### 24.4 Security Agent's Discretions

The Security Agent may:

- (a) assume (unless it has received actual notice to the contrary in its capacity as Security Agent for the Secured Parties) that (i) no Default has occurred and no member of the Group is in breach of or default under its obligations under any of the Finance Documents; and (ii) any right, power, authority or discretion vested in any person has not been exercised;
- (b) if it receives any instructions or directions from the Facility Agent to take any action in relation to the Transaction Security, assume that all applicable conditions under the Finance Documents for taking that action have been satisfied;
- (c) engage, pay for and rely on the advice or services of any lawyers, accountants, surveyors or other experts (whether obtained by the Security Agent or by any other Secured Party) whose advice or services may at any time seem necessary, expedient or desirable;
- (d) rely upon any communication or document believed by it to be genuine and, as to any matters of fact which might reasonably be expected to be within the knowledge of a Secured Party or the Borrower, upon a certificate signed by or on behalf of that person; and
- (e) refrain from acting in accordance with the instructions of the Facility Agent or Lenders (including bringing any legal action or proceeding arising out of or in connection with the Finance Documents) until it has received any indemnification and/or security that it may in its absolute discretion require (whether by way of payment in advance or otherwise) for all costs, losses and liabilities which it may incur in bringing such action or proceedings.

#### 24.5 Security Agent's Obligations

The Security Agent shall promptly inform the Facility Agent of:

- (a) the contents of any notice or document received by it in its capacity as Security Agent from the Borrower under any Finance Document; and
- (b) the occurrence of any Default or any default by the Borrower in the due performance of or compliance with its obligations under any Finance Document of which the Security Agent has received notice from any other party to this Agreement.

#### 24.6 Excluded Obligations

Notwithstanding anything to the contrary expressed or implied in the Finance Documents, the Security Agent shall not:

- (a) be bound to enquire as to (i) whether or not any Default has occurred or (ii) the performance, default or any breach by the Borrower of its obligations under any of the Finance Documents;
- (b) be bound to account to any other Secured Party for any sum or the profit element of any sum received by it for its own account;

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- (c) be bound to disclose to any other person (including but not limited to any Secured Party) (i) any confidential information or (ii) any other information if disclosure would, or might in its reasonable opinion, constitute a breach of any law or be a breach of fiduciary duty;
- (d) be under any obligations other than those which are specifically provided for in the Finance Documents; or
- (e) have or be deemed to have any duty, obligation or responsibility to, or relationship of trust or agency with, the Borrower.

#### 24.7 Exclusion of Security Agent's liability

The Security Agent is not responsible or liable for:

- (a) the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by the Security Agent or any other person in or in connection with any Finance Document or the transactions contemplated in the Finance Documents;
- (b) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document or the Transaction Security or any other agreement, arrangement or document entered into, made or executed in anticipation of or in connection with any Finance Document or the Transaction Security;
- (c) any losses to any person or any liability arising as a result of taking or refraining from taking any action in relation to any of the Finance Documents or the Transaction Security or otherwise, whether in accordance with an instruction from the Facility Agent or otherwise, unless directly caused by its gross negligence or wilful misconduct;
- (d) the exercise of, or the failure to exercise, any judgement, discretion or power given to it by or in connection with any of the Finance Documents, the Transaction Security or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with, the Finance Documents or the Transaction Security; or
- (e) any shortfall which arises on the enforcement of the Transaction Security.

#### 24.8No proceedings

No Party (other than the Security Agent) may take any proceedings against any officer, employee or agent of the Security Agent in respect of any claim it might have against the Security Agent or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document or any Transaction Security and any officer, employee or agent of the Security Agent may rely on this Clause.

#### 24.9Own responsibility

Without affecting the responsibility of the Borrower for information supplied by it or on its behalf in connection with any Finance Document, each Secured Party confirms to the Security Agent that it has at all times been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Finance Document including but not limited to:

- (a) the financial condition, creditworthiness, condition, affairs, status and nature of each member of the Group;
- (b) the legality, validity, effectiveness, adequacy and enforceability of any Finance Document and the Transaction Security and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with, any Finance Document or the Transaction Security;

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- (c) whether that Secured Party has recourse, and the nature and extent of that recourse, against any Party or any other person or any of their respective assets under or in connection with any Finance Document, the Transaction Security, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with, any Finance Document or the Transaction Security;
- (d) the adequacy, accuracy and/or completeness of any information provided by the Security Agent or by any other person under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with, any Finance Document; and
- (e) the right or title of any person in or to, or the value or sufficiency of any part of the Charged Property, the priority of any of the Transaction Security or the existence of any Security affecting the Charged Property,

and each Secured Party warrants to the Security Agent that it has not relied on and will not at any time rely on the Security Agent in respect of any of these matters.

24.10**No responsibility to perfect Transaction Security**

The Security Agent shall not be liable for any failure to:

- (a) require the deposit with it of any deed or document certifying, representing or constituting the title of the Borrower to any of the Charged Property;
- (b) obtain any licence, consent or other authority for the execution, delivery, legality, validity, enforceability or admissibility in evidence of any of the Finance Documents or the Transaction Security;
- (c) register, file or record or otherwise protect any of the Transaction Security (or the priority of any of the Transaction Security) under any applicable laws in any jurisdiction or to give notice to any person of the execution of any of the Finance Documents or of the Transaction Security;
- (d) take, or to require any of member of the Group to take, any steps to perfect its title to any of the Charged Property or to render the Transaction Security effective or to secure the creation of any ancillary Security under the laws of any jurisdiction; or
- (e) require any further assurances in relation to any of the Security Documents.

24.11**Insurance by Security Agent**

- (a) The Security Agent shall not be under any obligation to insure any of the Charged Property, to require any other person to maintain any insurance or to verify any obligation to arrange or maintain insurance contained in the Finance Documents. The Security Agent shall not be responsible for any loss which may be suffered by any person as a result of the lack of or inadequacy of any such insurance.
- (b) Where the Security Agent is named on any insurance policy as an insured party, it shall not be responsible for any loss which may be suffered by reason of, directly or indirectly, its failure to notify the insurers of any material fact relating to the risk assumed by the insurers or any other information of any kind, unless any Secured Party has requested it to do so in writing and the Security Agent has failed to do so within fourteen (14) days after receipt of that request.

24.12**Acceptance of Title**

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The Security Agent shall be entitled to accept without enquiry, and shall not be obliged to investigate, the right and title that the Borrower or the Sponsor may have to any of the Charged Property and shall not be liable for or bound to require the Borrower or the Sponsor to remedy any defect in its right or title.

**24.13Refrain from Illegality**

The Security Agent may refrain from doing anything which in its opinion will or may be contrary to any relevant law, directive or regulation of any jurisdiction which would or might otherwise render it liable to any person, and the Security Agent may do anything which is, in its opinion, necessary to comply with any law, directive or regulation.

**24.14Business with the Group**

The Security Agent may accept deposits from, lend money to, and generally engage in any kind of banking or other business with any of member of the Group.

**24.15Release**

If the Security Agent, with the approval of the Majority Lenders, determines that (a) all of the Secured Obligations and all other obligations secured by any of the Security Documents have been fully and finally discharged and (b) none of the Secured Parties is under any commitment, obligation or liability (actual or contingent) to make advances or provide other financial accommodation to the Borrower pursuant to the Finance Documents, the Security Agent, together with the Secured Parties (if necessary), shall release, without recourse or warranty, all of the Transaction Security and the rights of the Security Agent (and the Secured Parties) under each of the Security Documents.

**24.16Lender indemnity to the Security Agent**

Each Lender shall (in proportion to its share of the Total Commitments or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero) indemnify the Security Agent, within three (3) Business Days of demand, against any cost, loss or liability incurred by the Security Agent (otherwise than by reason of the Security Agent's gross negligence or wilful misconduct) in acting as Security Agent under the Finance Documents (unless the Security Agent has been reimbursed by the Borrower pursuant to a Finance Document).

**24.17Resignation of Security Agent**

- (a) The Security Agent may resign by giving notice to the other Parties (or to the Facility Agent on behalf of the Lenders) in which case the Majority Lenders may appoint a successor Security Agent.
- (b) If the Majority Lenders have not appointed a successor Security Agent in accordance with paragraph (a) above within 30 days after the notice of resignation was given, the Security Agent (after consultation with the Facility Agent) may appoint a successor Security Agent.
- (c) The retiring Security Agent shall, at its own cost, make available to the successor Security Agent such documents and records and provide such assistance as the successor Security Agent may reasonably request for the purposes of performing its functions as Security Agent under the Finance Documents.
- (d) The Security Agent's resignation notice shall only take effect upon (i) the appointment of a successor and (ii) the transfer of all of the Transaction Security to that successor.
- (e) Upon the appointment of a successor, the retiring Security Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of Clauses 23 (*Role of the Administrative Parties*) and 24 (*Role of Security Agent*). Its successor and each of the other Parties shall have the same rights and obligations amongst themselves as

they would have had if such successor had been an original Party.

24.18**Delegation**

- (a) The Security Agent may, at any time, delegate by power of attorney or otherwise to any person for any period, all or any of the rights, powers and discretions vested in it by any of the Finance Documents.
- (b) The delegation may be made upon any terms and conditions (including the power to sub-delegate) and subject to any restrictions that the Security Agent may think fit in the interests of the Secured Parties and it shall not be bound to supervise, or be in any way responsible for any loss incurred by reason of any misconduct or default on the part of any delegate or sub-delegate.

24.19**Security Documents**

- (a) Each Secured Party irrevocably authorises the Security Agent to execute any Security Document to which it is expressed to be a party on its behalf.
- (b) In relation to any Transaction Security, to the extent the Security Agent can hold such Transaction Security interest, on trust or otherwise, on behalf of and in favour of the Secured Parties under the governing law of such Transaction Security, each Secured Party authorises the Security Agent to hold such Transaction Security on behalf of and in favour of the Secured Parties.

25.SHARING AMONG THE FINANCE PARTIES

25.1**Payments to Finance Parties**

If a Finance Party (a "**Recovering Finance Party**") receives or recovers (whether by set-off or otherwise) any amount from the Borrower other than in accordance with Clause 26 (*Payment mechanics*) or Clause 28 (*Application of Proceeds*) (a "**Recovered Amount**") and applies that amount to a payment due under the Finance Documents then:

- (a) the Recovering Finance Party shall, within three (3) Business Days, notify details of the receipt or recovery, to the Facility Agent;
- (b) the Facility Agent shall determine whether the receipt or recovery is in excess of the amount the Recovering Finance Party would have been paid had the receipt or recovery been received or made by the Facility Agent and distributed in accordance with Clause 26 (*Payment mechanics*), without taking account of any Tax which would be imposed on the Facility Agent in relation to the receipt, recovery or distribution; and
- (c) the Recovering Finance Party shall, within (3) three Business Days of demand by the Facility Agent, pay to the Facility Agent an amount (the "**Sharing Payment**") equal to such receipt or recovery less any amount which the Facility Agent determines may be retained by the Recovering Finance Party as its share of any payment to be made, in accordance with Clause 26.5 (*Partial payments*).

25.2**Redistribution of payments**

The Facility Agent shall treat the Sharing Payment as if it had been paid by the Borrower and distribute it between the Finance Parties (other than the Recovering Finance Party) (the "**Sharing Finance Parties**") in accordance with Clause 26.5 (*Partial payments*) towards the obligations of the Borrower to the Sharing Finance Parties.

25.3**Recovering Finance Party's rights**

- (a) On a distribution by the Facility Agent under Clause 25.2 (*Redistribution of payments*) of a payment received by a Recovering Finance Party from the Borrower, as between the Borrower and the Recovering Finance

Party, an amount of the Recovered Amount equal to the Sharing Payment will be treated as not having been paid by the Borrower.

- (b) If and to the extent that the Recovering Finance Party is not able to rely on its rights under paragraph (a) above, the Borrower shall be liable to the Recovering Finance Party for a debt equal to the Sharing Payment which is immediately due and payable.

#### 25.4 Reversal of redistribution

If any part of the Sharing Payment received or recovered by a Recovering Finance Party becomes repayable and is repaid by that Recovering Finance Party, then:

- (a) each Sharing Finance Party shall, upon request of the Facility Agent, pay to the Facility Agent for the account of that Recovering Finance Party an amount equal to the appropriate part of its share of the Sharing Payment (together with an amount as is necessary to reimburse that Recovering Finance Party for its proportion of any interest on the Sharing Payment which that Recovering Finance Party is required to pay) (the "**Redistributed Amount**"); and
- (b) as between the Borrower and each relevant Sharing Finance Party, an amount equal to the relevant Redistributed amount will be treated as not having been paid by the Borrower.

#### 25.5 Exceptions

- (a) This Clause 25 shall not apply to the extent that the Recovering Finance Party would not, after making any payment pursuant to this Clause, have a valid and enforceable claim against the Borrower.
- (b) A Recovering Finance Party is not obliged to share with any other Finance Party any amount which the Recovering Finance Party has received or recovered as a result of taking legal or arbitration proceedings, if:
- (i) it notified that other Finance Party of the legal or arbitration proceedings; and
  - (ii) that other Finance Party had an opportunity to participate in those legal or arbitration proceedings but did not do so as soon as reasonably practicable having received notice and did not take separate legal or arbitration proceedings.

#### 26. PAYMENT MECHANICS

##### 26.1 Payments to the Facility Agent

- (a) On each date on which the Borrower or a Lender is required to make a payment under a Finance Document, the Borrower or Lender shall make the same available to the Facility Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Facility Agent as being customary at the time for settlement of transactions in the relevant currency in the place of payment.
- (b) Payment shall be made to such account in the principal financial centre of the country of that currency with such bank as the Facility Agent specifies.

##### 26.2 Distributions by the Facility Agent

- (a) Each payment received by the Facility Agent under the Finance Documents for another Party shall, subject to Clause 26.3 (*Distributions to the Borrower*) and Clause 26.4 (*Clawback*) be made available by the Facility Agent as soon as practicable after receipt to the Party entitled to receive payment in accordance with this Agreement (in the case of a Lender, for the account of its Facility Office), to such account as that Party may notify to the Facility Agent by not less than five (5) Business Days' notice with a bank in the principal financial centre of the country of that currency.
- (b) The Facility Agent shall distribute payments received by it in relation to all or any part of a Loan to the Lender indicated in the records of the Facility Agent as being so entitled on that date provided that the Facility Agent is authorised to distribute payments to be made on the date on which any transfer becomes effective pursuant to Clause 21 (*Changes to the Parties*) to the Lender so entitled immediately before such transfer took place regardless of the period to which such sums relate.

##### 26.3 Distributions to the Borrower

The Facility Agent may (with the consent of the Borrower or in accordance with Clause 27 (*Set-off*)) apply any amount received by it for the Borrower in or towards payment (in the currency and funds of receipt) of any amount due from the Borrower under the Finance Documents or in or towards purchase of any amount of any currency to be so applied.

##### 26.4 Clawback

- (a) Where a sum is to be paid to the Facility Agent under the Finance Documents for another Party, the Facility Agent is not obliged to pay that sum to that other Party (or to enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received that sum.
- (b) If the Facility Agent pays an amount to another Party and it proves to be the case that the Facility Agent had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid by the Facility Agent shall on demand refund the same to the Facility Agent together with interest on that amount from the date of payment to the date of receipt by the Facility Agent, calculated by the Facility Agent to reflect its cost of funds.

##### 26.5 Partial payments

- (a) If the Facility Agent receives a payment that is insufficient to discharge all the amounts then due and payable by the Borrower under the Finance Documents, the Facility Agent shall apply that payment towards the obligations of the Borrower under the Finance Documents in the following order:
- (i) **first**, in or towards payment pro rata of any unpaid fees, costs and expenses of any Administrative Party under the Finance Documents;
  - (ii) **secondly**, in or towards payment pro rata of any accrued interest, fee (other than as provided in (i) above) or commission due but unpaid under this Agreement;
  - (iii) **thirdly**, in or towards payment pro rata of any principal due but unpaid under this Agreement; and
  - (iv) **fourthly**, in or towards payment pro rata of any other sum due but unpaid under the Finance Documents.
- (b) The Facility Agent shall, if so directed by the Majority Lenders, vary the order set out in paragraphs (a)(ii) to (iv) above.
- (c) Paragraphs (a) and (b) above will override any appropriation made by the Borrower.

##### 26.6 No set-off by the Borrower

All payments to be made by the Borrower under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

##### 26.7 Business Days

- (a) Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).
- (b) During any extension of the due date for payment of any principal or Unpaid Sum under paragraph (a) above, interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

##### 26.8 Currency of account

- (a) Subject to paragraphs (b) and (c) below, KRW is the currency of account and payment for any sum due from the Borrower under any Finance Document.
- (b) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.
- (c) Any amount expressed to be payable in a currency other than KRW shall be paid in that other currency.

#### 27. SET-OFF

A Finance Party may set off any matured obligation due from the Borrower under the Finance Documents (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to the Borrower, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

#### 28. APPLICATION OF PROCEEDS

##### 28.1 Order of Application

All moneys from time to time received or recovered by the Security Agent in connection with the realisation or enforcement of all or any part of the Transaction Security shall be held by the Security Agent to apply them at such times as the Security Agent sees fit, to the extent permitted by applicable law, in the following order of priority:

- (a) in discharging any sums owing to the Security Agent;
- (b) in payment to the Facility Agent, on behalf of the Secured Parties, for application towards the discharge of all sums due and payable by the Borrower under any of the Finance Documents in accordance with Clause 26.5 (*Partial Payments*);
- (c) if Borrower is not under any further actual or contingent liability under any Finance Document, in payment to any person to whom the Security Agent is obliged to pay in priority to the Borrower; and
- (d) the balance, if any, in payment to the Borrower.

##### 28.2 Investment of Proceeds

Prior to the application of the proceeds of the Transaction Security in accordance with Clause 28.1 (*Order of Application*) the Security Agent may, at its discretion, hold all or part of those proceeds in an interest bearing suspense or impersonal account(s) in the name of the Security Agent or Facility Agent with any financial institution (including itself) and for so long as the Security Agent thinks fit (the interest being credited to the relevant account) pending the application from time to time of those monies at the Security Agent's discretion in accordance with the provisions of this Clause 28.

**28.3Currency Conversion**

- (a) For the purpose of or pending the discharge of any of the Secured Obligations the Security Agent may convert any moneys received or recovered by the Security Agent from one currency to another, at the spot rate at which the Security Agent is able to purchase the currency in which the Secured Obligations are due with the amount received.
- (b) The obligations of the Borrower to pay in the due currency shall only be satisfied to the extent of the amount of the due currency purchased after deducting the costs of conversion.

**28.4Permitted Deductions**

The Security Agent shall be entitled (a) to set aside by way of reserve amounts required to meet and (b) to make and pay, any deductions and withholdings (on account of Tax or otherwise) which it is or may be required by any applicable law to make from any distribution or payment made by it under this Agreement, and to pay all Tax which may be assessed against it in respect of any of the Charged Property, or as a consequence of performing its duties, or by virtue of its capacity as Security Agent under any of the Finance Documents or otherwise (except in connection with its remuneration for performing its duties under this Agreement).

**28.5Discharge of Secured Obligations**

- (a) Any payment to be made in respect of the Secured Obligations by the Security Agent may be made to the Facility Agent on behalf of the Lenders and that payment shall be a good discharge to the extent of that payment, to the Security Agent.
- (b) The Security Agent is under no obligation to make payment to the Facility Agent in the same currency as that in which any Unpaid Sum is denominated.

**28.6Sums received by the Borrower**

If the Borrower receives any sum which, pursuant to any of the Finance Documents, should have been paid to the Security Agent, that sum shall promptly be paid to the Security Agent for application in accordance with this Clause 28.

**29.NOTICES**

**29.1Communications in writing**

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter.

**29.2Addresses**

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is that identified in Schedule 4 (*Contact Details*) or any substitute address, fax number or department or officer as the Party may notify to the Facility Agent (or the Facility Agent may notify to the other Parties, if a change is made by the Facility Agent) by not less than five (5) Business Days' notice.

**29.3Delivery**

(a)Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will be effective:

- (i)if by hand or courier, when signed for by or on behalf of the relevant recipient;
  - (ii)if by way of fax, only when received in legible form; or
  - (iii)if by way of letter, only when it has been left at the relevant address or five (5) Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address;
- and, if a particular department or officer is specified as part of its address details provided under Clause 29.2 (*Addresses*), if addressed to that department or officer.

(b)Any communication or document to be made or delivered to the Facility Agent or to the Security Agent will be effective only when actually received by the Facility Agent or to the Security Agent and then only if it is expressly marked for the attention of the department or officer identified with the Facility Agent's or the Security Agent's signature below (or any substitute department or officer as the Facility Agent shall specify for this purpose).

(c)All notices from or to the Borrower shall be sent through the Facility Agent.

(d)All notices to a Lender from the Security Agent shall be sent through the Facility Agent.

**29.4Electronic communication**

(a) Any communication to be made between the Parties under or in connection with the Finance Documents may be made by electronic mail or other electronic means, if the relevant Party:

- (i)agree that, unless and until notified to the contrary, this is to be an accepted form of communication;
- (ii)notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and
- (iii)notify each other of any change to their address or any other such information supplied by them.

(b) Any electronic communication made between the Parties will be effective only when actually received in readable form and confirmation of receipt has been received by the sender.

**29.5English language**

(a)Any notice given under or in connection with any Finance Document must be in English or Korean.

(b)All other documents provided under or in connection with any Finance Document must be:

- (i)in English or Korean; or
- (ii)if not in English or Korean, and if so required by the Facility Agent, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

**30.CALCULATIONS AND CERTIFICATES**

**30.1Accounts**

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by a Finance Party are *prima facie* evidence of the matters to which they relate.

**30.2Certificates and determinations**

Any certification or determination by a Finance Party of a rate or amount under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

**30.3Day count convention**

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 365 days.

**31.PARTIAL INVALIDITY**

If, at any time, any provision of the Finance Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

**32.REMEDIES AND WAIVERS**

No failure to exercise, nor any delay in exercising, on the part of any Secured Party, any right or remedy under the Finance Documents shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

**33.AMENDMENTS AND WAIVERS**

**33.1Required consents**

(a)Subject to Clause 33.2 (*Exceptions*) any term of the Finance Documents may be amended or waived only with the consent of the Majority Lenders and the Borrower and any such amendment or waiver will be binding on all Parties.

(b)The Facility Agent, or in respect of the Security Documents, the Security Agent may effect, on behalf of any Finance Party, any amendment or waiver permitted by this Clause 33.

**33.2Exceptions**

(a)An amendment or waiver that has the effect of changing or which relates to:

- (i) the definition of "**Majority Lenders**" in Clause 1.1 (*Definitions*);
  - (ii) an extension to the date of payment of any amount under the Finance Documents;
  - (iii) a reduction in the Margin or a reduction in the amount of any payment of principal, interest, fees or commission payable;
  - (iv) an increase in the amount of any Commitment;
  - (v) an extension of the period of availability for utilisation of any Commitment;
  - (vi) any provision which expressly requires the consent of all the Lenders;
  - (vii) Clause 2.2 (*Finance Parties' Rights and Obligations*), Clause 21 (*Changes to the Parties*) or this Clause 33;
  - (viii) the nature or scope of the Charged Property or the manner in which the proceeds of enforcement of the Transaction Security are distributed; or
  - (ix) the release of any Transaction Security unless permitted under this Agreement,
- shall not be made without the prior consent of all the Lenders.

(b) An amendment or waiver which relates to the rights or obligations of any Administrative Party may not be effected without the consent of such Administrative Party.

#### 34. COUNTERPARTS

Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

#### 35. GOVERNING LAW

This Agreement shall be governed by the laws of Korea in all respects, including matters of construction, validity and performance. The Parties agree that any legal action or proceeding arising out of or relating to this Agreement may be brought in the Seoul Central District Court and the Parties hereby irrevocably submit to the non-exclusive jurisdiction of such court.

### SCHEDULE 1

#### CONDITIONS OF UTILISATION

##### 1. Borrower

- (a) A copy of the articles of incorporation and commercial registry extract of the Borrower.
- (b) A copy of the resolution of the board of directors of the Borrower approving the Acquisition and the terms of, and transactions contemplated by, the Finance Documents to which it is a party and resolving that it execute the Finance Documents to which it is a party.
- (c) A copy of the resolution of the shareholders of the Borrower approving the Acquisition and the terms of, and transactions contemplated by, the Finance Documents to which it is a party.
- (d) Power of attorney executed by the representative director of the Borrower:
  - (i) authorising a specified person or persons to execute the Finance Documents to which it is a party on the Borrower's behalf; and
  - (ii) authorising a specified person or persons, on the Borrower's behalf to sign and/or despatch all documents and notices (including, if relevant the Utilisation Request) to be signed and/or despatched by it under or in connection with the Finance Documents to which it is a party.
- (e) Seal impression certificate of the representative director of the Borrower and specimen signature of each person authorised by any power of attorney referred to in paragraph 1(d) above in respect of the Finance Documents.
- (f) A certificate of the representative director of the Borrower certifying that:
  - (i) each copy document relating to it specified in paragraphs 1(a) to (e) and 4 of this Schedule 1 is true, correct and complete and, in the case of the resolution specified in paragraph 1(b) above, in full force and effect as at a date no earlier than the date of this Agreement;
  - (ii) the Borrower is solvent on the date of the certificate; and
  - (iii) the representations set out in Clause 17 (*Representations*) are true in all material respects.

##### 2. Sponsor

- (a) A copy of the certificate of formation of the Sponsor.
- (b) A copy of the resolution of the sole member of the Sponsor approving the Acquisition and the terms of, and transactions contemplated by, the Finance Documents to which it is a party and resolving that it execute the Finance Documents to which it is a party.
- (c) Power of attorney executed by the officer of the Sponsor (if necessary):
  - (i) authorising a specified person or persons to execute the Finance Documents to which it is a party on the Sponsor's behalf; and
  - (ii) authorising a specified person or persons, on the Sponsor's behalf to sign and/or despatch all documents and notices to be signed and/or despatched by it under or in connection with the Finance Documents to which it is a party.
- (d) Specimen signature of each person authorised by any power of attorney referred to in paragraph 1(d) above in respect of the Finance Documents.
- (e) A certificate of the officer of the Sponsor certifying that:
  - (i) each copy document relating to it specified in paragraphs 2(a) to (d) of this Schedule 1 is true, correct and complete and, in the case of the resolution specified in paragraph 2(b) above, in full force and effect as at a date no earlier than the date of this Agreement;
  - (ii) the Sponsor is solvent on the date of the certificate; and
  - (iii) the representations set out in the Security Documents to which it is a party are true in all material respects.

##### 3. Fee Letter

An original copy of each Fee Letter, duly executed by the parties thereto.

##### 4. Security Documents

The Security Documents (other than the Borrower Share Kun-Pledge Agreement) duly executed by the Borrower or the Sponsor and the Security Agent (and if required, the Secured Parties), together with any documents required under or in connection therewith.

##### 5. Financial Information

A copy of the Original Financial Statements.

##### 6. Legal opinions

- (a) A legal opinion from Lee & Ko, legal advisers to the Finance Parties as to Korean law in form and substance reasonably satisfactory to the Facility Agent.
- (b) A legal opinion from Yulchon, legal advisers to the Borrower as to Korean law in form and substance reasonably satisfactory to the Facility Agent.
- (c) With respect to the Security Documents to which the Sponsor is a party, a legal opinion from Pottery Anderson Corroon LLP, Delaware legal advisers to the Finance Parties in form and substance reasonably



- satisfactory to the Facility Agent.
7. **Other documents and evidence**
- (a) A copy of any other Authorisation or other document, opinion or assurance which the Facility Agent considers to be necessary or desirable (if it has notified the Borrower accordingly) in connection with the entry into and performance of the transactions contemplated by any Finance Document or for the validity and enforceability of any Finance Document.
- (b) Evidence that the fees, costs and expenses then due from the Borrower pursuant to Clause 11 (*Fees*) and Clause 16 (*Costs and expenses*) have been paid or will be paid as provided in the Finance Documents (including the Fee Letters).

SCHEDULE 2

UTILISATION REQUEST

From: Visteon Korea Holdings Corporation

To: Kookmin Bank as Facility Agent

Dated:

Dear Sirs

Visteon Korea Holdings Corporation – KRW1,000,000,000,000 Bridge Facility Agreement dated 4 2012 (the "Facility Agreement")

1. We refer to the Facility Agreement. This is the Utilisation Request. Terms defined in the Facility Agreement shall have the same meaning in this Utilisation Request.
2. We wish to borrow a Loan on the following terms:
- Proposed Utilisation Date: [ ] (or, if that is not a Business Day, the next Business Day)
- Amount: [ ] or, if less, the Available Facility
- First Interest Period: [ ]
3. We confirm that each condition specified in Clause 4.2 (*Further conditions precedent*) is satisfied on the date of this Utilisation Request.
4. [In case of the initial Utilisation,] We confirm that the fees, costs and expenses then due from the Borrower pursuant to Clause 11 (*Fees*) and Clause 16 (*Costs and expenses*) will be paid as provided in the Finance Documents (including the Fee Letters).
5. The proceeds of the Loan should be credited to [account].
6. This Utilisation Request is irrevocable.

Yours faithfully

.....  
authorised signatory for  
[Visteon Korea Holdings Corporation]

SCHEDULE 3

FORM OF TRANSFER CERTIFICATE

To: Kookmin Bank as Facility Agent

From: [the Existing Lender] (the "Existing Lender") and  
[the New Lender] (the "New Lender")

Dated:

[Visteon Korea Holdings Corporation] – KRW1,000,000,000,000 Bridge Facility Agreement dated July 4, 2012 (the "Facility Agreement")

1. We refer to Clause 21.3 (*Procedure for transfer*) of the Facility Agreement. This is a Transfer Certificate. Terms used in the Facility Agreement shall have the same meaning in this Transfer Certificate.
2. The Existing Lender and the New Lender agree to the Existing Lender transferring to the New Lender accordance with Clause 21.3 (*Procedure for transfer*) all or part of the Existing Lender's Commitment specified in the Schedule and/or all or part of the Existing Lender's participation(s) in the Loan specified in the Schedule, in each case together with related rights and obligations.
3. The proposed Transfer Date is [ ].
4. The Facility Office and address, fax number and attention particulars for notices of the New Lender for the purposes of Clause 29.2 (*Addresses*) are set out in the Schedule.
5. The New Lender expressly acknowledges:
- (a) the limitations on the Existing Lender's obligations set out in paragraphs (a) and (c) of Clause 21.2 (*Limitation of responsibility of Existing Lenders*); and
- (b) that it is the responsibility of the New Lender to ascertain whether any document is required or any formality or other condition requires to be satisfied to effect or perfect the transfer contemplated by this Transfer Certificate or otherwise to enable the New Lender to enjoy the full benefit of each Finance Document.
6. The New Lender confirms that it is a "New Lender" within the meaning of Clause 21.1 (*Transfers by the Lenders*).
7. This Transfer Certificate may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Transfer Certificate.
8. This Transfer Certificate is governed by Korean law.
9. This Transfer Certificate has been entered into on the date stated at the beginning of this Transfer Certificate.

THE SCHEDULE

Commitment/rights and obligations to be transferred, and other particulars

Commitment/participation(s) transferred

Drawn Loan(s) participation(s) amount(s): [ ]

Available Commitment amount: [ ]

Administration particulars:

New Lender's receiving account: [ ]

Address: [ ]

Telephone: [ ]

Facsimile: [ ]

Attn/Ref: [ ]

[the Existing Lender]

[the New Lender]

By:

By:

This Transfer Certificate is executed by the Facility Agent and the Transfer Date is confirmed as [            ].

Acknowledged and consented by:

**The Facility Agent** (on behalf of itself and all the other Finance Parties (other than the Existing Lender) and as attorney-in-fact of the Borrower)

By:

Date:

[FIXED-DATE STAMP]

SCHEDULE 4  
CONTACT DETAILS

Party	Address of Notices	Contact Person Information
Visteon Korea Holdings Corporation as Borrower	One Village Center, Van Buren Twp, MI 48430, USA	Name: Peter Ziparo Telephone #: Fax #: Email:
Kookmin Bank as Lender	9-1, 2-Ga, Namdaemun-Ro, Jung-Gu, Seoul, 100-703, Korea	Name: Dong R. Lee Telephone #: 822-2073-3284 Fax #: 822-2073-3226 Email: proto1@kbstar.co.kr
Kookmin Bank as Facility Agent	9-1, 2-Ga, Namdaemun-Ro, Jung-Gu, Seoul, 100-703, Korea	Name: Dong R. Lee Telephone #: 822-2073-3284 Fax #: 822-2073-3226 Email: proto1@kbstar.co.kr
Kookmin Bank as Security Agent	9-1, 2-Ga, Namdaemun-Ro, Jung-Gu, Seoul, 100-703, Korea	Name: Dong R. Lee Telephone #: 822-2073-3284 Fax #: 822-2073-3226 Email: proto1@kbstar.co.kr

SCHEDULE 5

TIMETABLE

Function	Day/Time
Delivery of a duly completed Utilisation Request (Clause 5.1 ( <i>Delivery of the Utilisation Request</i> ))	U – 3 9:30 a.m.
Facility Agent notifies the Lenders of the Loan in accordance with Clause 5.5 ( <i>Lenders' participations</i> )	U – 1 3:00 p.m.

“U” = date of Utilisation

U - X = Business Days prior to the date of Utilisation

SCHEDULE 6

*Borrower*

VISTEON KOREA HOLDINGS CORPORATION

By: /s/ [corporate stamp]

Bridge Facility Agreement

SIGNATURE PAGE

Lender

KOOKMIN BANK

By: /s/ Woo Sang hyeon

Bridge Facility Agreement

SIGNATURE PAGE

Facility Agent

KOOKMIN BANK

By: /s/ Woo Sang hyeon

Bridge Facility Agreement

SIGNATURE PAGE

Security Agent

KOOKMIN BANK

By: /s/ Woo Sang hyeon

Bridge Facility Agreement

SIGNATURE PAGE

# FIFTH AMENDMENT TO REVOLVING LOAN CREDIT AGREEMENT AND CONSENT

This FIFTH AMENDMENT TO REVOLVING LOAN CREDIT AGREEMENT AND CONSENT (this “Amendment”), dated as of July 3, 2012, by and among VISTEON CORPORATION, a Delaware corporation (“Visteon”), and certain of its domestic subsidiaries signatory hereto, as borrowers (collectively, referred to herein as the “Borrowers” and each, individually, as a “Borrower”); the other Credit Parties signatory hereto; MORGAN STANLEY SENIOR FUNDING, INC. (“MSSF”), as administrative agent for the Lenders (together, with any permitted successor in such capacity, “Agent”); MSSF and Bank of America, N.A., as co-collateral agents for the Lenders (the “Co-Collateral Agents”); and the Lenders and L/C Issuers signatory hereto.

## WITNESSETH:

WHEREAS, the Borrowers, the other Credit Parties signatory thereto, the financial institutions party thereto as “Lenders” (the “Lenders”), Agent and the other agents party thereto are parties to that certain Revolving Loan Credit Agreement, dated as of October 1, 2010, as amended by that certain First Amendment to Revolving Loan Credit Agreement, dated as of January 27, 2011, as amended by that certain Second Amendment to Revolving Loan Credit Agreement, dated as of April 6, 2011, as amended by that certain Third Amendment to Revolving Loan Credit Agreement, dated as of June 15, 2011, and as amended by that certain Fourth Amendment to Revolving Loan Credit Agreement, dated as of April 3, 2012 (as may be further amended, restated, supplemented or otherwise modified from time to time prior to the date hereof, the “Credit Agreement”);

WHEREAS, the Borrowers have advised Agent that the Borrowers (or one of their Subsidiaries) intend to purchase an index fund put option (or series of options) related to hedging a transaction permitted under the Credit Agreement which shall require the payment of a premium in an aggregate amount not to exceed \$12,000,000 (the “Equity Hedge Transaction”); and

WHEREAS, the Borrowers have requested that (a) Agent and the Requisite Lenders consent to the Equity Hedge Transaction and (b) amend certain terms and conditions of the Credit Agreement, and the Requisite Lenders and Agent have agreed to consent to the Equity Hedge Transaction and to the requested amendments on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained herein, the parties hereto hereby agree that all capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Credit Agreement, and further agree as follows:

### Section 1. Amendments to the Credit Agreement.

Section 1.1 of the Credit Agreement, “Definitions”, is hereby amended and modified by deleting subsection (b) of the definition of “Permitted Acquisition” in its entirety and inserting the following in lieu thereof:

“(b) the board of directors of the Person (or similar governing body if such

-#PageNum#-

Person is not a corporation) which is the subject of such Acquisition shall not have indicated publically its opposition to such Acquisition and shall not have commenced any action which alleges that any such Acquisition will violate applicable law;”

Section 1.1 of the Credit Agreement, “Definitions”, is hereby further amended and modified by deleting subsection (b) of the definition of “Cash Equivalents” in its entirety and inserting the following in lieu thereof:

“(b) Dollar denominated certificates of deposit or time deposits, eurodollar time deposits or overnight bank deposits having maturities of twelve months or less from the date of acquisition issued by any Lender or by any commercial bank organized under the laws of the United States or any state thereof having combined capital and surplus of not less than \$250,000,000 and a long-term unsecured debt rating of at least “A-” or the equivalent thereof from S&P or “A3” or the equivalent thereof from Moody’s, and, with respect to any Foreign Subsidiary, time deposits, certificates of deposits, overnight bank deposits or bankers acceptances in the currency of any country in which such Foreign Subsidiary transacts business having maturities of twelve months or less from the date of acquisition issued by any commercial bank organized in the United States having capital and surplus in excess of \$100,000,000 or, with respect to any Foreign Subsidiary, a commercial bank organized under the laws of another country in which such Foreign Subsidiary transacts business having total assets in excess of \$100,000,000 (or its foreign currency equivalent);”

Section 1.1 of the Credit Agreement, “Definitions”, is hereby further amended and modified by deleting the following definitions and inserting the following in lieu thereof:

““Bank Products Obligations” means (a) any debts, liabilities and obligations as existing from time to time of any Credit Party arising from or in connection with any Bank Products and, if Agent or any Lender ceases to be Agent or a Lender, as applicable, any debts, liabilities and obligations as existing from time to time of any Credit Party to Agent or such Lender, as applicable, arising from or in connection with any Bank Product Documents entered into at a time when Agent was Agent or such Lender was a Lender, as applicable, and (b) any Secured Interest Rate Obligations.

“Secured Hedge Agreement” means any Swap Contract that, at the time such Swap Contract was entered into, is entered into by and between any Credit Party and any Hedge Bank (other than any Term Loan Credit Agreement Secured Hedge Agreement (as defined in the Existing Credit Agreement) and any Secured Interest Rate Agreements).

“Secured Hedging Obligations” means the obligations of any Credit Party arising under any Secured Hedge Agreement (except for any Secured Interest Rate Obligations).”

Section 1.1 of the Credit Agreement, “Definitions”, is hereby further amended and modified



by inserting the following new definitions in the appropriate alphabetical order:

““Interest Rate Bank” means any Person that, at the time the applicable Swap Contract which provides for an interest rate swap for the purposes of hedging exposure to fluctuations in interest rates was entered into, is a Lender, Agent or an Affiliate of a Lender or Agent, in its capacity as party to a Secured Interest Rate Agreement.

“Replacement Assets” means assets and property (including Capital Expenditures) that will be used in the business of Borrowers and/or their Restricted Subsidiaries or in a business the same, similar or reasonably related thereto or in an unrelated business to the extent that it is not material in size as compared to the business of Borrowers and their Restricted Subsidiaries taken as a whole (including Stock of a Person who becomes a Restricted Subsidiary).

“Secured Interest Rate Agreements” means any Swap Contract which provides for an interest rate swap for the purposes of hedging exposure to fluctuations in interest rates, at the time such Swap Contract was entered into, is entered into by and between any Credit Party and any Interest Rate Bank.

“Secured Interest Rate Obligations” means the obligations of any Credit Party arising under any Secured Interest Rate Agreement.”

Section 5.2(a) of the Credit Agreement, “Collateral Reporting”, is hereby amended and modified by deleting clause (i) in its entirety and inserting the following in lieu thereof:

“(i)(A) a Borrowing Base Certificate and (B) a summary of the mark-to-market exposure for all Secured Interest Rate Obligations, in each case, accompanied by such supporting detail and documentation as shall be requested by Co-Collateral Agents, in their Permitted Discretion;”

Section 7.2 of the Credit Agreement, “Investments; Loans and Advances”, is hereby amended and modified by deleting subsection (p) in its entirety and inserting the following in lieu thereof:

“(p) Investments arising out of the receipt by Borrowers or any of their respective Subsidiaries of promissory notes and non-cash consideration for the Disposition of assets permitted under Section 7.8; provided that (i) the aggregate amount of such Investments shall not exceed \$100,000,000 in the aggregate and (ii) the non-cash consideration for any such Disposition shall not exceed 20% of the total consideration therefore; provided, further, the fair market value of any Replacement Assets received by Borrowers or any of their respective Subsidiaries in connection with a Disposition under Section 7.8(w) shall be deemed to be cash received at the closing of such Disposition;”

Section 7.3 of the Credit Agreement, “Indebtedness”, is hereby amended and modified

by deleting subsection (i) in its entirety and inserting the following in lieu thereof:

“(i) Indebtedness of Halla and its Subsidiaries in an amount not to exceed, when combined with all other outstanding Indebtedness of Halla and its Subsidiaries, \$350,000,000 at any one time outstanding (inclusive of any Indebtedness outstanding on the Closing Date) plus any Indebtedness incurred by Halla and its Subsidiaries pursuant to Section 7.3(y).”

Section 7.3 of the Credit Agreement, “Indebtedness”, is hereby further amended and modified by deleting subsection (y) in its entirety and inserting the following in lieu thereof:

“(y) Indebtedness in amount not in excess of \$1,000,000,000 at any time outstanding (the “Incremental Term Loans”), provided that: (1) such Indebtedness shall not mature prior to the date that is six months following the Commitment Termination Date (except with respect to a bridge loan facility so long as the Credit Parties have received commitments for permanent financing (and provide evidence, reasonably satisfactory to Agent, of such commitments) in an aggregate amount greater than or equal to the amount required to repay such bridge loan facility in full in cash (after giving effect to any cash on hand used to repay such bridge loan facility)), (2) no Default shall have occurred and be continuing or would immediately result therefrom, (3) immediately after giving effect thereto, the Borrowers and their Restricted Subsidiaries shall be in compliance, on a Pro Forma basis after giving effect to the incurrence of such Indebtedness, with Section 7.10 (to the extent then applicable), (4) except in the case of guaranties by Excluded Subsidiaries and Foreign Subsidiaries of such Indebtedness of Foreign Subsidiaries, no Restricted Subsidiary shall guaranty any such Indebtedness unless such Restricted Subsidiary is also a Subsidiary Guarantor, and (5) the Co-Collateral Agents and Lenders shall subordinate the Liens on the Term Loan Priority Collateral to the Liens securing such Indebtedness, and the Liens securing such Indebtedness on Revolver Priority Collateral shall be subordinated to the Liens of the Co-Collateral Agents and Lenders on the Revolver Priority Collateral, in each case, pursuant to an Intercreditor Agreement.”

Section 7.7 of the Credit Agreement, “Liens”, is hereby amended and modified by deleting subsection (j) in its entirety and inserting the following in lieu thereof:

“(j) subject to an Intercreditor Agreement, Liens to secure Indebtedness permitted under the Incremental Term Loan Documents, the Senior Notes and/or other Indebtedness permitted under Sections 7.3(n) and (l); provided, however, the aggregate principal amount of such secured Indebtedness shall not exceed \$1,000,000,000 at any one time outstanding.”

Section 7.8 of the Credit Agreement, “Sale of Stock and Assets”, is hereby amended and modified by deleting subsection (w) in its entirety and inserting the following in lieu thereof:

“(w) Dispositions of designated assets listed on Schedule 7.8(w); provided that the Borrowers shall deliver to Agent prior to such Disposition a

Borrowing Base Certificate giving Pro Forma Effect to such Disposition evidencing that Excess Availability shall be equal to or greater than \$50,000,000.”

(k) the Credit Agreement is hereby amended and modified by deleting Schedule (7.8(w)), and attached the new Schedule (7.8(w)), as attached hereto as Exhibit A, in lieu thereof; and

(l) the Credit Agreement is hereby amended and modified by (i) reducing the aggregate Commitments to \$175,000,000 and (ii) deleting Annex C, “Commitments”, to the Credit Agreement in its entirety and inserting the new Annex C attached hereto as Exhibit B as an annex to the Credit Agreement.

Consent to the Equity Hedge Transaction. Notwithstanding anything to the contrary contained in the Credit Agreement or the other Loan Documents, Agent and the Requisite Lenders hereby consent to the Equity Hedge Transaction.

Representations and Warranties. Each Credit Party represents and warrants as follows:

(a) The execution, delivery and performance by each Credit Party of this Amendment are within such Person’s powers, have been duly authorized by all necessary corporate, limited liability company or limited partnership action, and do not (i) require any consent or approval of any of the holders of the Stock of any Credit Party except for such consents and approvals which have been obtained and remain in full force and effect; (ii) contravene the charter, bylaws or partnership or operating agreement, as applicable, of any Credit Party; (iii) violate any material applicable law or regulation or any order or decree of any court or Governmental Authority; (iv) conflict with or result in the breach or termination of, constitute a default under or accelerate or permit the acceleration of any performance required by, any material indenture, mortgage, deed of trust, material lease, loan agreement or other instrument to which such Person is a party or by which such Person or any of its property is bound; or (v) result in the creation or imposition of any Lien upon any of the property of such Person other than those in favor of Agent, on behalf of itself and Lenders, pursuant to the Loan Documents;

(b) No authorization or approval of any Governmental Authority or other Person is required for the due execution, delivery or performance by any Credit Party of this Amendment and each other Loan Document contemplated hereby to which it is or is to be a party, except authorizations or approvals that have been obtained and notices or filings that have been made;

(c) This Amendment and each other document required hereunder to be delivered by any Credit Party has been duly executed and delivered by each such Person party thereto, and constitutes the legal, valid and binding obligation of each such Person, enforceable against such Person in accordance with the respective terms of such document, except, in each case, as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws of general application affecting the enforcement of creditors’ rights or by general principles of equity (regardless of whether enforcement is being sought in equity or at law);

(d) The representations and warranties contained in Section 4 of the Credit Agreement and in each of the other Loan Documents are true and correct in all material respects (with respect to any representation or warranty that is not otherwise qualified as to materiality) on and as of the date hereof as though made on and as of such date; provided, however, representations and warranties which by their terms are applicable only to a specific date shall be deemed made only at and as of such date; and

(e) Immediately after giving effect hereto, no event has occurred and is continuing which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

Conditions Precedent to Effectiveness of this Amendment. This Amendment shall be effective as of the date first set forth above (the “Fifth Amendment Effective Date”) when Agent shall have received, in form and substance satisfactory to it, each of the following:

(a) this Amendment, duly executed by the Borrowers, the other Credit Parties identified on the signature pages hereto, Agent, the Co-Collateral Agents and the Requisite Lenders;

(b) an amendment fee (the “Amendment Fee”), for the pro rata benefit of the Lenders executing this Amendment, in an amount equal to 12.5 basis points of the Commitment held by the Lenders party hereto after giving effect to this Amendment;

(c) reimbursement and payment of all of Agent’s costs and expenses incurred in connection with this Amendment in accordance with Section 12.3 of the Credit Agreement to the extent invoiced as of such date; and

(d) the delivery of such other documents, instruments, and information as Agent may reasonably request.

Reference to and Effect on the Credit Agreement. Upon the effectiveness of this Amendment as set forth in Section 4 hereof, on and after the date hereof, each reference in the Credit Agreement to “this Agreement”, “hereunder”, “hereof”, “herein” or words of like import shall mean and be a reference to the Credit Agreement, and each reference in the other Loan Documents to the Credit Agreement shall mean and be a reference to the Credit Agreement.

Costs, Expenses and Taxes. Subject to Section 12.3 of the Credit Agreement, the Borrowers agree, jointly and severally, to pay on demand all reasonable, out-of-pocket costs and expenses of Agent in connection with the preparation, execution and delivery of this Amendment and the other instruments and documents to be delivered hereunder (including, without limitation, the reasonable fees and expenses of counsel for Agent with respect thereto).

No Other Amendments. Except as otherwise expressed herein, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Agent, Co-Collateral Agent or the Lenders under the Credit Agreement, or any of the other Loan Documents, nor constitute a waiver of any provision of the Credit Agreement or any of the other Loan Documents. Except for the amendments and the consent set forth herein, the text of all other Loan Documents shall remain unchanged and in full force and effect and the Credit Parties hereby ratify and confirm their respective obligations thereunder. This Amendment shall

not constitute a modification of the Credit Agreement or a course of dealing with Agent at variance with the Credit Agreement such as to require further notice by Agent to require strict compliance with the terms of the Credit Agreement and the other Loan Documents in the future, except as expressly set forth herein. The Credit Parties acknowledge and expressly agree that the Agent, Co-Collateral Agent and the Lenders reserve the right to, and do in fact, require strict compliance with all terms and provisions of the Credit Agreement and the other Loan Documents (in each case as amended hereby).

Execution in Counterparts. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument. Delivery of a signature page hereto by facsimile transmission or other electronic transmission shall be as effective as delivery of a manually executed counterpart hereof.

Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

Final Agreement. This Amendment represents the final agreement between the Borrowers, the other Credit Parties, Agent, Co-Collateral Agents and the Lenders as to the subject matter hereof and may not be contradicted by evidence of prior or contemporaneous oral agreements of the parties. The Amendment shall constitute a Loan Document for all purposes.

Severability. Wherever possible, each provision of this Amendment shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Amendment shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Amendment.

[remainder of the page is intentionally blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

**CREDIT PARTIES:**

**VISTEON CORPORATION**

By: /s/ Robert R. Krakowiak  
Name: Robert R. Krakowiak  
Title: Vice President & Treasurer

**VC AVIATION SERVICES, LLC**

By: /s/ Robert R. Krakowiak  
Name: Robert R. Krakowiak  
Title: Vice President & Treasurer

**VISTEON ELECTRONICS CORPORATION**

By: /s/ Robert R. Krakowiak  
Name: Robert R. Krakowiak  
Title: Vice President & Treasurer

**VISTEON GLOBAL TECHNOLOGIES, INC.**

By: /s/ Robert R. Krakowiak  
Name: Robert R. Krakowiak  
Title: Vice President & Treasurer

**VISTEON GLOBAL TREASURY, INC.**

By: /s/ Robert R. Krakowiak  
Name: Robert R. Krakowiak  
Title: Vice President & Treasurer

**VISTEON SYSTEMS, LLC**

By: /s/ Robert R. Krakowiak  
Name: Robert R. Krakowiak  
Title: Vice President & Treasurer

**VISTEON INTERNATIONAL BUSINESS DEVELOPMENT, INC.**

By: /s/ Robert R. Krakowiak  
Name: Robert R. Krakowiak  
Title: Vice President & Treasurer

**VISTEON INTERNATIONAL HOLDINGS, INC.**

By: /s/ Robert R. Krakowiak  
Name: Robert R. Krakowiak  
Title: Vice President & Treasurer

**VISTEON EUROPEAN HOLDINGS, INC.**

By: /s/ Robert R. Krakowiak  
Name: Robert R. Krakowiak  
Title: Vice President & Treasurer

**AGENTS AND LENDERS:**

**MORGAN STANLEY SENIOR FUNDING, INC.**, as Agent and Co-Collateral Agent

By: /s/ Brian Janiak  
Name: Brian Janiak  
Title: Authorized Signatory

**MORGAN STANLEY BANK, N.A.**, as a Lender and L/C Issuer

By: /s/ Brian Janiak  
Name: Brian Janiak  
Title: Authorized Signatory



**BANK OF AMERICA, N.A.**, as Co-Collateral Agent and a Lender

By: /s/ John D. Whetstone

Name: John D. Whetstone

Title: Vice President

**BARCLAYS Bank PLC**, as a Lender

By: /s/ Gregory Fishbein

Name: Gregory Fishbein

Title: Assistant Vice President

**THE BANK OF NOVA SCOTIA**, as a Lender

By: /s/ Kimberley Snyder

Name: Kimberley Snyder

Title: Director

By: /s/ Christoph Hoedl  
Name: Christoph Hoedl  
Title: First Vice President

By: /s/ Randall Abrams  
Name: Randall Abrams  
Title: Vice President

By: /s/ David Kee  
Name: David Kee  
Title: Managing Director

**COMERICA BANK**, as a Lender

By: /s/ Jessica Migliore

Name: Jessica Migliore

Title: Vice President

**CITIBANK, N.A.**, as a Lender

By: /s/ Jennifer Bagley\_\_\_\_\_

Name: Jennifer Bagley

Title: Vice President

**EXHIBIT A**

Schedule (7.8(w))

1. Disposition of assets related to an existing product line (including, without limitation, Stock of one or more Subsidiaries which hold such assets) with a value not exceeding \$700,000,000 for consideration which may consist of primarily core Replacement Assets and/or cash, regardless of form, so long as such Disposition is an arm's length transaction on fair and reasonable terms.
2. Disposition of assets of interiors product line to its Chinese Joint Venture partner consistent with MOU announced Nov 30, 2011.



**EXHIBIT B**

**AMENDMENT AND RESTATEMENT AGREEMENT  
RELATING TO  
BRIDGE FACILITY AGREEMENT**

dated July 30 2012

for

**VISTEON KOREA HOLDINGS CORPORATION**

with

**KOOKMIN BANK**  
acting as Facility Agent

and

**KOOKMIN BANK**  
acting as Security Agent

arranged by

**KOOKMIN BANK**  
acting as Mandated Lead Arranger

**LEE & KO**  
법무법인 광장

Hanjin Main Building, 18th Floor, 118,  
Namdemunno 2-Ga, Seoul 100-770, Korea

Tel: 82-2-772-4000 Fax: 82-2-772-4001  
E-mail: mail@leeko.com www.leeko.com

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## SCHEDULES

SCHEDULE 1: CONDITIONS PRECEDENT

SCHEDULE 2: RESTATED AGREEMENT

STAMP TAX

THIS AMENDMENT AND RESTATEMENT AGREEMENT (this "Agreement") is dated July 30, 2012 and made between:

- (1) VISTEON KOREA HOLDINGS CORPORATION (the "Borrower");
- (2)KOOKMIN BANK as original lender (the "Original Lender");
- (3)KOOKMIN BANK as facility agent of the Finance Parties (other than itself) (the "Facility Agent"); and
- (4)KOOKMIN BANK as security agent of the Secured Parties (other than itself) (the "Security Agent").

BACKGROUND

- (1) By a bridge facility agreement (the "Original Agreement") dated July 4, 2012 and made between, among others, the Borrower and the Original Lender, the Original Lender made available to the Borrower a facility of such amounts and on the terms referred to in the Original Agreement for the purposes therein mentioned.
- (2)The Parties are entering into this Agreement in order to agree to amend and restate the Original Agreement.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

- 1.1 Definitions  
Words and expressions defined in the Original Agreement shall, unless otherwise defined herein or the context otherwise requires, have the same meaning when used in this Agreement (including the recitals hereto). References to any agreement or document shall be construed as references to such agreement or document as varied, amended, novated or supplemented from time to time. In addition, this Agreement (including the recitals hereto):

"Effective Date" means the date of this Agreement, or if the conditions precedent set forth in Section 2 have not been satisfied or duly waived on the date of this agreement, the date on which the Facility Agent notifies the Borrower in writing that such conditions precedent have been satisfied or duly waived.

"Restated Agreement" means the Original Agreement, as amended by this agreement, the terms of which are set out in Schedule 2 (Restated Agreement).

- 1.2 Construction

The provisions of Clause 1.2 (Construction) of the Original Agreement are incorporated into this Agreement.

- 1.3 Designation

In accordance with the Original Agreement, the Borrower and the Facility Agent have agreed to designate this Agreement as a Finance Document.

2. AMENDMENT AND RESTATEMENT

Subject to the Facility Agent having received all of the documents and evidence specified in Schedule 1 (*Conditions Precedent*) in form and substance satisfactory to the Facility agent, with effect from the Effective Date, the Original Agreement shall be amended and restated in their entirety so that it shall be read and construed for all purposes as set out in Schedule 2 (*Restated Agreement*).

3. CONTINUITY

Subject to the terms of this Agreement, the Original Agreement and all the transactions made thereunder will remain in full force and effect.

4. UNDERTAKINGS

- 4.1 Before January 27, 2013, the Borrower shall deliver a certified copy of the resolution of its board of directors confirming its intent to make an additional Tender Offer (as defined in the Restated Agreement) within the Availability Period.
- 4.2 The Borrower shall, at the request of the Facility Agent and at its own expense, do all such acts and things necessary or desirable to give effect to the amendments effected or to be effected pursuant to this Agreement.

5. COUNTERPARTS

This Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

6. GOVERNING LAW AND JURISDICTION

6.1 Governing Law

This Agreement and the rights and obligations of the parties hereunder shall be governed by and construed in accordance with the laws of Korea.

6.2 Jurisdiction

Each party hereto agrees that any legal action or proceeding arising out of or relating to this Agreement may be brought in the Seoul Central District Court in Seoul, Korea and irrevocably submits to the non-exclusive jurisdiction of such court.

SIGNATURE PAGE

*Borrower*

VISTEON KOREA HOLDINGS CORPORATION

By: /s/ [corporate stamp]

Lender

KOOKMIN BANK

By: /s/ Woo Sang Hyeon



Facility Agent

KOOKMIN BANK

By: /s/ Woo Sang Hyeon

Security Agent

KOOKMIN BANK

By: /s/ Woo Sang Hyeon

## SCHEDULE 1

### CONDITIONS PRECEDENT

#### 1. Borrower

- (a) A copy of the articles of incorporation and commercial registry extract of the Borrower.
- (b) A copy of the resolution of the board of directors of the Borrower approving the execution of this Agreement and the terms of, and transactions contemplated by, the Restated Agreement.
- (c) A copy of the resolution of the shareholders of the Borrower approving the execution of this Agreement and the terms of, and transactions contemplated by, the Restated Agreement.
- (d) Where a person executing this Agreement does so under a power of attorney, a power of attorney executed by the representative director of the Borrower authorising a specified person or persons to execute this Agreement and any related documents to which it is a party on the Borrower's behalf.
- (e) Seal impression certificate of the Borrower and specimen signature of each person authorised by any power of attorney referred to in paragraph 1(d) above.
- (f) A certificate of the representative director of the Borrower certifying that:
  - (i) each copy document relating to it specified in paragraphs 1(a) to (e) of this Schedule 1 is true, correct and complete and, in the case of the resolution specified in paragraph 1(b) and (c) above, in full force and effect as at a date no earlier than the date of this Agreement; and
  - (ii) the representations set out in Clause 17 (*Representations*) are true in all material respects.

#### 2. Legal opinions

- (a) A legal opinion from Lee & Ko, legal advisers to the Finance Parties as to Korean law in form and substance reasonably satisfactory to the Facility Agent.
- (b) A legal opinion from Yulchon, legal advisers to the Borrower as to Korean law in form and substance reasonably satisfactory to the Facility Agent.

#### 3. Other documents and evidence

- (a) An original copy of the amendment and restatement agreement to the upfront fee letter, duly executed by the parties thereto.
- (b) Evidence that the fees, costs and expenses then due from the Borrower pursuant to Clause 11 (*Fees*) and Clause 16 (*Costs and expenses*) have been paid or will be paid as provided in the Finance Documents.

**SCHEDULE 2**  
**RESTATED AGREEMENT**

**KRW1,000,000,000,000**

**BRIDGE FACILITY AGREEMENT**

dated July 4, 2012  
as amended and restated on July 30, 2012

for

**VISTEON KOREA HOLDINGS CORPORATION**  
as Borrower

with

**KOOKMIN BANK**  
acting as Facility Agent

and

**KOOKMIN BANK**  
acting as Security Agent

arranged by

**KOOKMIN BANK**  
acting as Mandated Lead Arranger

**LEE & KO**

법무법인 광장

Hanjin Main Building, 18th Floor, 118,  
Namdaemunno 2-Ga, Seoul 100-770, Korea

Tel: 82-2-772-4000 Fax: 82-2-772-4001  
E-mail: mail@leeko.com www.leeko.com

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STAMP TAX

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THIS AGREEMENT is dated July 4, 2012 and made between:

- (5)VISTEON KOREA HOLDINGS CORPORATION (the "Borrower");
- (6)KOOKMIN BANK as original lender (the "Original Lender");
- (7)KOOKMIN BANK as facility agent of the Finance Parties (other than itself) (the "Facility Agent"); and
- (8)KOOKMIN BANK as security agent of the Secured Parties (other than itself) (the "Security Agent").

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1Definitions

In this Agreement:

"Account Kun-Pledge Agreement" means an account kun-pledge agreement to be granted by the Borrower in favour of the Secured Parties in relation to the Drawdown Account.

"Acquisition" means the acquisition of the Acquisition Shares by the Borrower (whether by way of the Tender Offer or otherwise).

"Acquisition Closing Date" means the date on which completion of the Acquisition occurs.

"Acquisition Shares" means 25% or more (up to 30.1%) of the total issued outstanding shares of the Target.

"Administrative Party" means each of the Facility Agent and the Security Agent.

"Affiliate" means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

"Authorisation" means:

- (a) an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation, lodgement or registration; or
- (b) in relation to anything which will be fully or partly prohibited or restricted by law if a Governmental Agency intervenes or acts in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action.

"Availability Period" means the period from and including the date of this Agreement to and including the date falling nine (9) Months after the date of this Agreement.

"Available Commitment" means a Lender's Commitment under the Facility *minus* the amount of its participations in the outstanding Loan under the Facility.

"Available Facility" means the aggregate for the time being of each Lender's Available Commitment in respect of the Facility.

"Bankruptcy Law" means:

- (a) in relation to any entity incorporated or organised under the laws of Korea, the Debtor Rehabilitation and Bankruptcy Act of Korea; and
- (b) in all other cases, any domestic or foreign law relating to bankruptcy, judicial management, moratorium, insolvency, reorganisation, administration or relief of debtors in effect in any jurisdiction.

**"Base Rate"** means, with respect to each Interest Determination Date, the average of the One Year Bank Debenture Rate in effect for the period of three (3) Business Days immediately preceding such Interest Determination Date (rounded up, if necessary, to the nearest one basis point).

**"Bond Pricing Agencies"** mean the following agencies:

- (a) NICE Pricing Service Inc.;
- (b) KIS Pricing Inc.;
- (c) Korea Asset Pricing & Korea Ratings Co., Ltd.; and
- (d) FN Pricing Inc.

**"Borrower Share Kun-Pledge Agreement"** means a share kun-pledge agreement to be granted by the Borrower in favour of the Secured Parties in relation to all of its shares issued by the Target pursuant to paragraph (b) of Clause 19.18 (*Conditions Subsequent*).

**"Business Day"** means a day (other than a Saturday or Sunday) on which banks are open for general business in Seoul.

**"Charged Property"** means all of the assets of the Borrower or the Sponsor which from time to time are, or are expressed to be, the subject of the Transaction Security.

**"Commitment"** means:

- (a) in relation to the Original Lender, KRW1,000,000,000,000 and the amount of any other Commitment transferred to it under this Agreement; and
- (b) in relation to any other Lender, the amount of any Commitment transferred to it under this Agreement,

to the extent not cancelled, reduced or transferred by it under this Agreement.

**"Default"** means an Event of Default or any event or circumstance specified in Clause 20 (*Events of Default*) which would (with the expiry of a grace period, the giving of notice or any combination of any of the foregoing) be an Event of Default.

**"Distribution"** means for any person:

- (a) any dividends, charges, fees or other distributions (or interest on any unpaid dividends, charges, fees or other distributions) (whether in cash or in kind) on or in respect of its share capital (or any class of its share capital) paid by any member of the Group; and/or
- (b) any payment paid by any member of the Group in respect of any redemption or reduction of any Equity Interest of any other member of the Group; and/or

- (c) any management service related fees or payment payable by the Target or its Restricted Subsidiaries pursuant to the LERA Program payable to its direct or indirect shareholders.

**"Drawdown Account"** means an account in the name of the Borrower opened with the Security Agent and designated as such by the Borrower and the Facility Agent.

**"Equity Interest"** means, in relation to any person:

- (a) any shares of any class or capital stock of or equity interest in such person or any depositary receipt in respect of such shares, capital stock or equity interest;
- (b) any security convertible (whether at the option of the holder thereof or otherwise and whether such conversion is conditional or otherwise) into any such shares, capital stock, equity interest or depositary receipt, or any depositary receipt in respect of such shares; and
- (c) any option, warrant or other right to acquire any such shares, capital stock, capital interest, securities or depositary receipts referred to in paragraphs (a) and (b) above.

**"Event of Default"** means any event or circumstance specified as such in Clause 20 (*Events of Default*).

**"Facility"** means the term loan facility made available under this Agreement as described in Clause 2.1 (*The Facility*).

**"Facility Office"** means the office or offices notified by a Lender to the Facility Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than five (5) Business Days' written notice) as the office or offices through which it will perform its obligations under this Agreement.

**"Fee Letter"** means any letter or letters referring to this Agreement or the Facility between one or more Administrative Parties and the Borrower setting out any of the fees referred to in Clause 11 (*Fees*).

**"Final Repayment Date"** means the date falling twelve (12) Months from the Initial Utilisation Date.

**"Finance Document"** means this Agreement, the Security Documents, any Fee Letter, any Utilisation Request and any other document designated as such by the Facility Agent and the Borrower.

**"Finance Party"** means the Facility Agent, the Security Agent or a Lender.

**"Financial Indebtedness"** means, as to any person:

- (a) all obligations of such person for borrowed money or with respect to deposits or advances of any kind having the commercial effect of a borrowing (excluding deposits by customers made in the ordinary course of business and on ordinary business terms);
- (b) all obligations of such person evidenced by bonds, debentures, notes or similar instruments (excluding obligations of such person evidenced by notes or similar instruments issued in respect of "accounts payable" in the ordinary course of business);
- (c) all obligations of such person upon which interest charges are customarily paid having the commercial effect of a borrowing;
- (d) all Financial Indebtedness of any other person secured by any Security on any property

owned by such first person, whether or not such Financial Indebtedness has been assumed by such person;

- (e) all obligations of such person under conditional sale or other title retention agreements relating to property acquired by such person having the commercial effect of a borrowing (excluding agreements made in the ordinary course of business);
- (f) all obligations of such person in respect of the deferred purchase price of property or services outstanding more than ninety (90) days after its customary date of payment;
- (g) all guarantees by such person with respect to the Financial Indebtedness of other person(s);
- (h) all obligations which are required to be classified and accounted for as finance leases on the balance sheet of such person;
- (i) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution;
- (j) all obligations, contingent or otherwise, of such person in respect of bankers' acceptances issued by a bank or financial institution;
- (k) any indebtedness for or in respect of receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (l) any indebtedness for or in respect of any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (m) any indebtedness for or in respect of shares or equity interests that are expressed to be redeemable; and
- (n) any indebtedness for or in respect of any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account).

"GAAP" means generally accepted accounting principles in Korea.

"Governmental Agency" means any government or any governmental agency, semi-governmental or judicial entity or authority (including, without limitation, any stock exchange or any self-regulatory organisation established under statute).

"Group" means the Borrower and the Target.

"Holding Company" means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary.

"Indirect Tax" means any goods and services tax, consumption tax, value added tax or any tax of a similar nature.

"Initial Utilisation Date" means the date on which the first Utilisation was made under this Agreement.

**"Interest Determination Date"** means, in relation to any Loan, three (3) Business Days prior to the relevant Utilisation Date.

**"Interest Payment Date"** means, in relation to an Interest Period, the last day of such Interest Period.

**"Interest Period"** means, in relation to a Loan, each period determined in accordance with Clause 10 (*Interest Periods*) and, in relation to an Unpaid Sum, each period determined in accordance with Clause 9.3 (*Default Interest*).

**"K-IFRS"** means the international financial reporting standards as adopted by and in effect from time to time in Korea.

**"Korea"** means the Republic of Korea.

**"Lender"** means:

- (a) the Original Lender; and
- (b) any person which has become a Lender in accordance with Clause 21 (*Changes to the Parties*),

which in each case has not ceased to be a Lender in accordance with the terms of this Agreement.

**"LERA Program"** means the Legal Entity Restructuring Actions, a consolidated contractual arrangement to set out the principal and contract manufacturing relationship amongst the Target and their Affiliates.

**"Loan"** means a loan made or to be made under the Facility or the principal amount outstanding for the time being of that loan.

**"Majority Lenders"** means at any time:

- (a) if any Loan is then outstanding, a Lender or Lenders whose participations in the Loan(s) then outstanding aggregate more than 66 2/3% of the Loan(s), or
- (b) if there is no Loan then outstanding, a Lender or Lenders whose Available Commitments aggregate more than 66 2/3% of the Available Facility.

**"Margin"** means 3.00 per cent. per annum.

**"Material Adverse Effect"** means a material adverse effect or change on:

- (a) the business, operations, assets or financial condition of the Borrower;
- (b) the ability of the Borrower to meet its payment obligations under the Finance Documents as they become due and payable;
- (c) the validity, legality or enforceability of the Finance Documents or the rights or remedies of any Finance Party under the Finance Documents; or
- (d) the validity, legality or enforceability of the Security expressed to be created pursuant to the Security Documents.

**"Month"** means a period starting on one day in a calendar month and ending on the numerically

corresponding day in the next calendar month, except that:

- (a) subject to paragraph (c) below, if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day;
- (b) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month; and
- (c) if an Interest Period begins on the last Business Day of a calendar month, that Interest Period shall end on the last Business Day in the calendar month in which that Interest Period is to end.

The above rules will apply only to the last Month of any period.

**"One Year Bank Debenture Rate"** means the arithmetic mean of the average quotation yield rate of the Bond Pricing Agencies for the mark-to-market base yield for Won-denominated non-guaranteed bank debentures (with a credit rating of "AAA") with a remaining maturity of one (1) year as announced by the Korea Financial Investment Association.

**"Original Financial Statements"** means the audited financial statements of the Target for the financial year ended 31 December 2011.

**"Party"** means a party to this Agreement.

**"Permitted Disposal"** means any sale, transfer or other disposal:

- (a) made in the ordinary course of business of the disposing person;
- (b) of assets in exchange for other assets comparable or superior as to type, value and quality and for a similar purpose;
- (c) of shares in Halla Alabama to Visteon Corporation or other affiliates by the Target; or
- (d) of assets, interests or rights as permitted by the Facility Agent (acting reasonably).

**"Permitted Indebtedness"** means Financial Indebtedness:

- (a) incurred under the Finance Document;
- (b) as listed in Schedule 6 (*Existing Indebtedness*) (including any amendment, renewal, refinancing or extension thereof without increase in the principal amount);
- (c) arising under spot and forward delivery foreign exchange contracts entered into by the Target in the ordinary course of business and not for speculative purposes;
- (d) any derivatives transaction entered into by the Target for the hedging of actual or projected real exposures arising in the ordinary course of trading activities (including to hedge interest rate risk) and not for speculative purposes;
- (e) under finance or capital leases, provided that the aggregate capital value of all such items so leased during the term of this Agreement under outstanding leases by the Target does

not exceed KRW25,000,000,000 at any time;

(f) incurred by the Target in the ordinary course of business in connection with cash pooling, netting and cash management arrangements consisting of overdrafts or similar arrangements;

(g) incurred under any Permitted Transaction;

(h) constituted by any shareholder loan made to the Borrower by the Sponsor or its direct or indirect shareholder provided that such shareholder loan has been fully subordinated to the Facility in form and substance satisfactory to the Facility Agent; or

(i) as permitted by the Facility Agent (acting reasonably);

provided that the aggregate outstanding amount of the Permitted Indebtedness under paragraphs (b) and (e) to (i) shall not exceed KRW450,000,000,000 at any time.

**"Permitted Transaction"** means transactions conducted in the ordinary course of trading on arm's length terms.

**"Repeating Representations"** means each of the representations set out in Clause 17 (*Representations*).

**"Secured Obligations"** means all obligations at any time due, owing or incurred by the Borrower to any Secured Party under the Finance Documents whether present or future, actual or contingent.

**"Secured Parties"** means the Security Agent, the Facility Agent and each Lender from time to time party to this Agreement.

**"Security"** means any mortgage, pledge, hypothecation, assignment by way of security, deposit arrangement, encumbrance, lien (statutory or other), preference, priority or other security agreement of any kind or nature whatsoever, including any conditional sale or other title retention agreement, any contractual right of set-off or any financing lease having substantially the same effect as any of the foregoing.

**"Security Documents"** means:

- (a) the Account Kun-Pledge Agreement;
- (b) the Borrower Share Kun-Pledge Agreement;
- (c) the Sponsor Share Kun-Pledge Agreement (Borrower); and
- (d) the Sponsor Share Kun-Pledge Agreement (Target).

together with any other document designated as a "Security Document" by the Security Agent and the Borrower.

**"Specified Time"** means a time determined in accordance with Schedule 5 (*Timetable*).

**"Sponsor"** means VIHI, LLC.

“**Sponsor Share Kun-Pledge Agreement (Borrower)**” means a share kun-pledge agreement granted by the Sponsor in favour of the Secured Parties in relation to all of its shares issued by the Borrower.

“**Sponsor Share Kun-Pledge Agreement (Target)**” means a share kun-pledge agreement granted by the Sponsor in favour of the Secured Parties in relation to all of its shares issued by the Target.

“**Subsidiary**” means, in relation to any company or corporation, a company or corporation:

- (a) which is controlled, directly or indirectly, by the first mentioned company or corporation;
- (b) more than half the issued equity share capital of which is beneficially owned, directly or indirectly, by the first mentioned company or corporation; or
- (c) which is a Subsidiary of another Subsidiary of the first mentioned company or corporation,

and for this purpose, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or to control the composition of its board of directors or equivalent body.

“**Target**” means Halla Climate Control Corp., a company incorporated under the laws of Korea.

“**Tax**” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

“**Tax Deduction**” has the meaning given to such term in Clause 12.1 (*Tax definitions*).

“**Tender Offer**” means a tender offer by the Borrower to the existing minority shareholders of the Target.

“**Tender Offer Account**” means an account in the name of the Borrower opened with the Security Agent and designated as such by the Borrower and the Facility Agent.

“**Total Commitments**” means the aggregate of the Commitments, being KRW1,000,000,000,000 at the date of this Agreement.

“**Transaction Security**” means the Security created or expressed to be created pursuant to the Security Documents.

“**Transfer Certificate**” means a certificate substantially in the form set out in Schedule 3 (*Form of Transfer Certificate*) or any other form agreed between the Facility Agent and the Borrower.

“**Transfer Date**” means, in relation to a transfer, the later of:

- (a) the proposed Transfer Date specified in the Transfer Certificate; and
- (b) the date on which the Facility Agent executes the Transfer Certificate.

“**Unpaid Sum**” means any sum due and payable but unpaid by the Borrower under the Finance Documents.



"**Utilisation**" means a utilisation of the Facility.

"**Utilisation Date**" means the date of the Utilisation, being the date on which the relevant Loan is to be made.

"**Utilisation Request**" means a notice substantially in the form set out in Schedule 2 (*Utilisation Request*).

## 1.2 Construction

(a) Unless a contrary indication appears, any reference in this Agreement to:

(i) any "**Administrative Party**", the "**Facility Agent**", the "**Security Agent**", any "**Finance Party**", any "**Secured Party**", any "**Lender**" or any "**Party**" shall be construed so as to include its successors in title and permitted transferees;

(ii) "**assets**" includes present and future properties, revenues and rights of every description;

(iii) a "**Finance Document**" or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended, novated, supplemented, extended or restated;

(iv) "**including**" shall be construed as "including without limitation";

(v) "**indebtedness**" includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

(vi) a Lender's "**participation**" in the Loan or an Unpaid Sum includes an amount representing the fraction or portion (attributable to such Lender by virtue of the provisions of this Agreement) of the total amount of the Loan or Unpaid Sum and the Lender's rights under this Agreement in respect thereof;

(vii) a "**person**" includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality);

(viii) a "**regulation**" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;

(ix) a provision of law is a reference to that provision as amended or re-enacted; and

(x) a time of day is a reference to Seoul time.

(b) Clause and Schedule headings are for ease of reference only.

(c) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.

(d) A Default (other than an Event of Default) is "**continuing**" if it has not been remedied or waived and an Event of Default is "**continuing**" if it has not been waived.

(e) Where this Agreement specifies an amount in a given currency (the "**specified currency**") "**or its**

**equivalent"**, the **"equivalent"** is a reference to the amount of any other currency which, when converted into the specified currency utilising the Facility Agent's spot rate of exchange for the purchase of the specified currency with that other currency at or about 11 a.m. on the relevant date, is equal to the relevant amount in the specified currency.

1.3Currency Symbol and Definition

"Korean Won" or "KRW" denote the lawful currency of the Korea.

2.THE FACILITY

2.1The Facility

Subject to the terms of this Agreement, the Lenders make available to the Borrower a KRW term loan facility in an aggregate amount equal to the Total Commitments.

2.2Finance Parties' rights and obligations

(a)The obligations of the Finance Parties under the Finance Documents are several. Failure by a Finance Party to perform its obligations under the Finance Documents does not affect the obligations of any other Party under the Finance Documents. No Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents.

(a)The rights of the Finance Parties under or in connection with the Finance Documents are separate and independent rights and any debt arising under the Finance Documents to a Finance Party from the Borrower shall be a separate and independent debt.

(b)A Finance Party may, except as otherwise stated in the Finance Documents, separately enforce its rights under the Finance Documents.

3.PURPOSE

3.1Purpose

The Borrower shall apply all amounts borrowed by it under the Facility towards (i) funding the costs of the Acquisition and (ii) payment of the Secured Obligations and any amounts relating to the transactions contemplated under the Finance Document.

3.2Monitoring

No Finance Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

4.CONDITIONS OF UTILISATION

4.1Initial conditions precedent

The Borrower may not deliver a Utilisation Request unless the Facility Agent has received all of the documents and other evidence listed in Schedule 1 (*Conditions of Utilisation*) in form and substance reasonably satisfactory to the Facility Agent unless otherwise waived. The Facility Agent shall notify the Borrower and the Lenders promptly upon receiving such documents and other evidence.

4.2Further conditions precedent

The Lenders will be obliged to comply with Clause 5.5 (*Lenders' participations*) if:

- (a)on the date of a Utilisation Request and on the proposed Utilisation Date,
- (i)no Default is continuing or would result from the proposed Loan;
- (ii)the Repeating Representations to be made by the Borrower are true in all material respects;

and

(b)(only in case of a Loan to be applied towards funding the cost of a Tender Offer,) the Facility Agent has received a copy of (i) the resolution of the board of directors of the Borrower and (ii) the resolution of the shareholders of the Borrower, approving such Tender Offer, respectively.

## 5.UTILISATION

### 5.1Delivery of the Utilisation Request

The Borrower may utilise the Facility by delivery to the Facility Agent of a duly completed Utilisation Request not later than the Specified Time.

### 5.2Completion of the Utilisation Request

(a) The Utilisation Request is irrevocable and will not be regarded as having been duly completed unless:

(i)the proposed Utilisation Date is a Business Day within the Availability Period;

(ii)the currency and amount of the Utilisation comply with Clause 5.4 (*Currency and amount*);

(iii)the proposed Interest Period complies with Clause 10 (Interest Periods); and

(iv)the account to which the Loan will be disbursed to the Borrower shall be the Drawdown Account.

(a)Only one Loan may be requested in each Utilisation Request.

### 5.3Maximum number of Utilisations

Up to seven (7) Utilisations may be made under the Facility. Notwithstanding the foregoing, only up to three (3) Utilisations (including the Utilisation made on the Initial Utilisation Date) may be made under the Facility for the purpose of funding the Tender Offer.

### 5.4Currency and amount

(a)The currency specified in the Utilisation Request must be KRW.

(b)The amount of the proposed Loan must be an amount which is not more than the Available Facility and which is a minimum of KRW10,000,000,000 or, if less, the Available Facility.

### 5.5Lenders' participations

(a) If the conditions set out in Clause 4 (*Conditions of Utilisation*) and 5.1 (*Delivery of the Utilisation Request*) to 5.4 (*Currency and amount*) above have been met, each Lender shall make its participation in the Loan available by the Utilisation Date through its Facility Office.

(b) The amount of each Lender's participation in the Loan will be equal to the proportion borne by its Available Commitment to the Available Facility immediately prior to making the Loan.

(c) The Facility Agent shall notify each Lender of the amount of each Loan and the amount of its participation in the Loan by the Specified Time.

### 5.6Cancellation of Commitment

All unutilised Commitments in respect of a Facility shall be cancelled on the last day of the Availability Period applicable to that Facility.

## 6.REPAYMENT

### 6.1Repayment of Loan

The Borrower shall repay the aggregate Loans in full on the Final Repayment Date.

## 7. PREPAYMENT AND CANCELLATION

### 7.1 Illegality

If, at any time, it is or will become unlawful for a Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain its participation in any Loan:

- (a) that Lender shall promptly notify the Facility Agent upon becoming aware of that event;
- (b) upon the Facility Agent notifying the Borrower, the Commitment of that Lender will be immediately cancelled; and
- (c) the Borrower shall repay that Lender's participation in the Loans on the last day of the Interest Period for each Loan occurring after the Facility Agent has notified the Borrower or, if earlier, the date specified by the Lender in the notice delivered to the Facility Agent (being no earlier than the last day of any applicable grace period permitted by law).

If at any time the Borrower is required to prepay any Loan of a Lender affected in the manner described in this Clause 7.1 (*Illegality*), then the Borrower, on ten (10) Business Days' prior written notice to the Facility Agent and such Lender (an "**Affected Lender**"), may request the Affected Lender to (and such Affected Lender shall) transfer all (and not part only) of its rights and obligations under the relevant Finance Documents relating to the relevant portion of any Loan to be so prepaid (on terms that are agreeable to the Affected Lender and at the cost of the Borrower) to another Lender or to another bank or financial institution that is selected by the Borrower and that confirms its willingness to assume and does assume all the obligations of the Affected Lender.

### 7.2 Voluntary cancellation

The Borrower may, if it gives the Facility Agent not less than ten (10) Business Days' (or such shorter period as the Majority Lenders may agree) prior notice, reduce the Available Facility to zero or by such amount (being a minimum amount of KRW10,000,000,000 and in integral multiples of KRW1,000,000,000) as the Borrower may specify in such notice. Any such reduction under this Clause 7.2 shall reduce the Commitments of the Lenders rateably.

### 7.3 Voluntary prepayment of the Loan

- (a) The Borrower may, if it gives the Facility Agent not less than ten (10) Business Days' (or such shorter period as the Majority Lenders may agree) prior notice, prepay at any time the whole or any part of the Loans (but, if in part, being an amount that reduces the amount of the aggregate Loans by a minimum amount of KRW10,000,000,000 and in integral multiples of KRW1,000,000,000).
- (b) A prepayment made by the Borrower under this Clause 7.3 (*Voluntary prepayment of the Loan*) shall be applied to the Loans in chronological order of the relevant Utilisations.

### 7.4 Right of prepayment and cancellation in relation to a single Lender

- (a) If:
  - (i) any sum payable to any Lender by the Borrower is required to be increased under paragraph (a) of Clause 12.2 (*Tax gross-up*); or
  - (ii) any Lender claims indemnification from the Borrower under Clause 12.3 (*Tax indemnity*) or

the Borrower may, whilst the circumstance giving rise to the requirement for that increase or indemnification continues, give the Facility Agent notice of cancellation of the Commitment of that Lender and its intention to procure the prepayment of that Lender's participation in the Loans.

- (b) On receipt of a notice of cancellation referred to in paragraph (a) above, the Commitment of that Lender shall immediately be reduced to zero.
- (c) On the last day of each Interest Period which ends after the Borrower has given notice of cancellation under paragraph (a) above, the Borrower shall prepay that Lender's participation in the relevant Loan.

#### 7.5 Restrictions

- (a) Any notice of cancellation or prepayment given by any Party under this Clause 7 shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant cancellation or prepayment is to be made and the amount of that cancellation or prepayment.
- (b) Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid without prepayment fee or penalty.
- (c) Unless a contrary indication appears in this Agreement, any part of the Facility which is prepaid may be reborrowed in accordance with the terms of this Agreement.
- (d) The Borrower shall not repay or prepay all or any part of the Loans or reduce any Commitment except at the times and in the manner expressly provided for in this Agreement.
- (e) If any Commitment is reduced or cancelled in accordance with this Agreement, the amount of such reduction may not be subsequently reinstated.
- (f) If the Facility Agent receives a notice under this Clause 7 it shall promptly forward a copy of that notice to either the Borrower or the affected Lender, as appropriate.

#### 8. MANDATORY PREPAYMENT

##### 8.1 Definitions relating to mandatory prepayment

For the purposes of this Clause 8:

**"Disposition of Target Shares"** means the disposal or sale by the Borrower of shares issued by the Target.

**"Net Proceeds"** means, with respect to any Prepayment Event:

- (a) the gross cash proceeds (including payments from time to time in respect of instalment obligations or deferred purchase consideration, if applicable) received by or on behalf of the Borrower in respect of such Prepayment Event;

less

- (b) the sum of:

(i) the amount, if any, of all taxes paid or estimated to be payable by the Borrower in connection with such Prepayment Event; and

Bridge Facility Agreement

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(ii) reasonable and customary fees, commissions, expenses, issuance costs, discounts and other costs paid by the Borrower in connection with such Prepayment Event, in case only to the extent not already deducted in arriving at the amount referred to in paragraph (a) above.

“**Prepayment Event**” means any of Disposition of Target Shares, Relevant Disposal, Relevant Debt Incurrence and Relevant Distribution.

“**Relevant Debt Incurrence**” means the incurrence of any Financial Indebtedness by the Borrower which is not the Permitted Indebtedness.

“**Relevant Disposal**” means a disposal of any asset by the Borrower.

“**Relevant Distribution**” means any Distribution received by the Borrower.

**8.2Mandatory Prepayment**

- (a) The Borrower shall apply the Net Proceeds of any Prepayment Event towards the prepayment of the Loans promptly upon receipt of the Net Proceeds.
- (b) A prepayment made by the Borrower under this Clause 8.2 (Mandatory *prepayment*) shall be applied to the Loans in chronological order of the relevant Utilisations.

**9.INTEREST**

**9.1Calculation of interest**

The rate of interest on each Loan is the percentage rate per annum which is the aggregate of the applicable:

- (a) Margin; and
- (b) Base Rate.

**9.2Payment of interest**

The Borrower shall pay accrued interest on each Loan on each Interest Payment Date.

**9.3Default interest**

If the Borrower fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the Unpaid Sum from the due date to the date of actual payment (both before and after judgment) at a rate which is five (5) per cent. higher than the highest interest rate applicable to any Loan on such due date.

**9.4Notification of rates of interest**

The Facility Agent shall promptly notify the Lenders and the Borrower of the determination of a rate of interest under this Agreement.

**10.INTEREST PERIODS**

**10.1Interest Periods**

- (a) Subject to paragraphs (b) and (d) below, The Interest Period for a Loan shall be three (3) Months.
- (b) An Interest Period for a Loan shall not extend beyond the Final Repayment Date.
- (c) The Interest Period for a Loan shall start on the relevant Utilisation Date or (if a Loan has already been made) on the last day of the preceding Interest Period of the Loan.

- (d) The initial Interest Period for a Loan which is not made on the Initial Utilisation Date shall start on the relevant Utilisation Date and end on the immediately next last day of an Interest Period for the existing Loan. Thereafter, the Interest Period for such Loan shall start on the last day of the preceding Interest Period.

**10.2Non-Business Days**

If an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

## 11.FEES

### 11.1Upfront fee

The Borrower shall pay to the Facility Agent (on behalf of the Original Lender) an upfront fee in the amount and at the times agreed in a Fee Letter.

### 11.2Facility Agent fee

The Borrower shall pay to the Facility Agent (for its own account) a facility agent fee in the amount and at the times agreed in a Fee Letter.

### 11.3Security Agent fee

The Borrower shall pay to the Security Agent (for its own account) a security agent fee in the amount and at the times agreed in a Fee Letter.

### 11.4Commitment fee

- (a) The Borrower shall pay to the Facility Agent for the account of each Lender a fee computed at the rate of 0.50 per cent. per annum from July 30, 2012 until the Acquisition Closing Date, on that Lender's Available Commitment under the Facility for the Availability Period applicable.
- (b) The accrued commitment fee is payable on (i) the last day of each Interest Payment Date which ends during the Availability Period or (ii) the Acquisition Closing Date and if cancelled in full, on the cancelled amount of the relevant Lender's Commitment at the time the cancellation is effective.

## 12.TAX GROSS-UP AND INDEMNITIES

### 12.1Tax definitions

(a) In this Clause 12:

"**Tax Credit**" means a credit against, relief or remission for, or repayment of any Tax.

"**Tax Deduction**" means a deduction or withholding for or on account of Tax from a payment under a Finance Document.

"**Tax Payment**" means an increased payment made by the Borrower to a Finance Party under Clause 12.2 (*Tax gross-up*) or a payment under Clause 12.3 (*Tax indemnity*).

(b) Unless a contrary indication appears, in this Clause 12 a reference to "determines" or "determined" means a determination made in the absolute discretion of the person making the determination.

### 12.2Tax gross-up

- (a) All payments to be made by the Borrower to any Finance Party under the Finance Documents shall be made free and clear of and without any Tax Deduction unless the Borrower is required to make a Tax Deduction, in which case the sum payable by the Borrower (in respect of which such Tax Deduction

is required to be made) shall be increased to the extent necessary to ensure that such Finance Party receives a sum net of any deduction or withholding equal to the sum which it would have received had no such Tax Deduction been made or required to be made.

- (b) The Borrower shall promptly upon becoming aware that the Borrower must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Facility Agent accordingly. Similarly, a Lender shall notify the Facility Agent on becoming so aware in respect of a payment payable to that Lender. If the Facility Agent receives such notification from a Lender it shall notify the Borrower.
- (c) If the Borrower is required to make a Tax Deduction, the Borrower shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.
- (d) Within thirty (30) days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Borrower making that Tax Deduction shall deliver to the Facility Agent for the Finance Party entitled to the payment evidence reasonably satisfactory to that Finance Party that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

#### 12.3Tax indemnity

- (a) Without prejudice to Clause 12.2 (*Tax gross-up*), if any Finance Party is required to make any payment of or on account of Tax on or in relation to any sum received or receivable under the Finance Documents or if any liability in respect of any such payment is asserted, imposed, levied or assessed against any Finance Party, the Borrower shall, within ten (10) Business Days of demand of the Facility Agent, promptly indemnify the Finance Party which suffers a loss or liability as a result against such payment or liability, together with any interest, penalties, costs and expenses payable or incurred in connection therewith, provided that this Clause 12.3 shall not apply to:

(i) any Tax imposed on and calculated by reference to the net income actually received or receivable by such Finance Party by the jurisdiction in which such Finance Party is incorporated; or

(ii) any Tax imposed on and calculated by reference to the net income of the Facility Office of such Finance Party actually received or receivable by such Finance Party by the jurisdiction in which its Facility Office is located.

- (b) A Finance Party intending to make a claim under paragraph (a) shall notify the Facility Agent of the event giving rise to the claim, whereupon the Facility Agent shall notify the Borrower thereof.

- (c) A Finance Party shall, on receiving a payment from the Borrower under this Clause 12.3, notify the Facility Agent.

#### 12.4Tax credit

If the Borrower makes a Tax Payment and the relevant Finance Party determines that:

(a) a Tax Credit is attributable to that Tax Payment; and

(b) that Finance Party has obtained, utilised and retained that Tax Credit,

the Finance Party shall pay an amount to the Borrower which that Finance Party determines will leave it (after that payment) in the same after-Tax position as it would have been in had the Tax Payment



not been required to be made by the Borrower.

#### 12.5 Stamp taxes

The Borrower shall:

- (a) pay all stamp duty, registration and other similar Taxes payable in respect of any Finance Document, and
- (b) within ten (10) Business Days of demand, indemnify each Finance Party against any cost, loss or liability that Finance Party incurs in relation to any stamp duty, registration or other similar Tax paid or payable in respect of any Finance Document.

#### 12.6 Indirect tax

(a) All amounts set out or expressed in a Finance Document to be payable by any Party to a Finance Party shall be deemed to be exclusive of any Indirect Tax. If any Indirect Tax is chargeable on any supply made by any Finance Party to any Party in connection with a Finance Document, that Party shall pay to the Finance Party (in addition to and at the same time as paying the consideration) an amount equal to the amount of the Indirect Tax.

- (a) Where a Finance Document requires any Party to reimburse a Finance Party for any costs or expenses, that Party shall also at the same time pay and indemnify the Finance Party against all Indirect Tax incurred by that Finance Party in respect of the costs or expenses to the extent the Finance Party reasonably determines that it is not entitled to credit or repayment in respect of the Indirect Tax.

#### 13. INCREASED COSTS

##### 13.1 Increased costs

- (a) Subject to Clause 13.3 (*Exceptions*) the Borrower shall, within ten (10) Business Days of a demand by the Facility Agent, pay for the account of a Finance Party the amount of any Increased Costs incurred by that Finance Party or any of its Affiliates as a result of (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation or (ii) compliance with any law or regulation made after the date of this Agreement. The terms "law" and "regulation" in this paragraph (a) shall include, without limitation, any law or regulation concerning capital adequacy, liquidity, reserve assets or Tax.
- (b) If at any time the Borrower is required to pay any additional amount to a Lender pursuant to the paragraph (a) above, then the Borrower, on ten (10) Business Days' prior written notice to the Facility Agent and such Lender, may request that Lender to (and that Lender shall) transfer all (and not part only) of its rights and obligations under the relevant Finance Documents (on terms that are agreeable to that Lender and at the cost of the Borrower) to another Lender or to another bank or financial institution that is selected by the Borrower and that confirms its willingness to assume and does assume all the obligations of that Lender.
- (c) In this Agreement "**Increased Costs**" means:
  - (i) a reduction in the rate of return from the Facility or on a Finance Party's overall capital;
  - (ii) an additional or increased cost; or
  - (iii) a reduction of any amount due and payable under any Finance Document,which is incurred or suffered by a Finance Party to the extent that it is attributable to the undertaking,

funding or performance by such Finance Party of any of its obligations under any Finance Document or any participation of such Finance Party in the Loan or Unpaid Sum.

13.2Increased cost claims

- (a) A Finance Party intending to make a claim pursuant to Clause 13.1 (*Increased costs*) shall notify the Facility Agent of the event giving rise to the claim, following which the Facility Agent shall promptly notify the Borrower.
- (b) Each Finance Party shall, as soon as practicable after a demand by the Facility Agent, provide a certificate confirming the amount of its Increased Costs.

13.3Exceptions

Clause 13.1 (*Increased costs*) does not apply to the extent any Increased Cost is:

- (a)attributable to a Tax Deduction required by law to be made by the Borrower;
- (b)compensated for by Clause 12.3 (*Tax indemnity*); or
- (c)attributable to the wilful breach by the relevant Finance Party of any law or regulation.

14.MITIGATION BY THE LENDERS

14.1Mitigation

- (b)Each Finance Party shall, in consultation with the Borrower, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to, or cancelled pursuant to, any of Clause 7.1 (*Illegality*), Clause 12 (*Tax gross-up and indemnities*) or Clause 13 (*Increased costs*), including:
  - (i)providing such information as the Borrower may reasonably request in order to permit the Borrower to determine its entitlement to claim any exemption or other relief (whether pursuant to a double taxation treaty or otherwise) from any obligation to make a Tax Deduction; and
  - (ii)in relation to any circumstances which arise following the date of this Agreement, transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office.
- (c)Paragraph (a) above does not in any way limit the obligations of the Borrower under the Finance Documents.

14.2Limitation of liability

- (a)The Borrower shall promptly indemnify each Finance Party for all costs and expenses reasonably incurred by that Finance Party as a result of steps taken by it under Clause 14.1 (*Mitigation*).
- (b)A Finance Party is not obliged to take any steps under Clause 14.1 (*Mitigation*) if, in the opinion of that Finance Party (acting reasonably), to do so might be prejudicial to it.

14.3Conduct of business by the Finance Parties

No provision of this Agreement will:

- (a) interfere with the right of any Finance Party to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;
- (b) oblige any Finance Party to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or

- (c) oblige any Finance Party to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax.

15.OTHER INDEMNITIES

15.1Other indemnities

The Borrower shall, within ten (10) Business Days of demand, indemnify each Secured Party against any cost, loss or liability incurred by that Secured Party as a result of:

- (a) the occurrence of any Event of Default;
- (b) the information produced or approved by the Borrower being misleading and/or deceptive in any material respect;
- (c) any enquiry, investigation, subpoena (or similar order) or litigation with respect to the Borrower or with respect to the transactions contemplated or financed under this Agreement;
- (d) a failure by the Borrower to pay any amount due under a Finance Document on its due date or in the relevant currency;
- (e) funding, or making arrangements to fund, its participation in a Loan requested by the Borrower in the Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of gross negligence or wilful misconduct of that Finance Party); or
- (f) a Loan (or part of a Loan) not being prepaid in accordance with a notice of prepayment given by the Borrower.

**15.2Indemnity to the Facility Agent**

The Borrower shall promptly indemnify the Facility Agent against any cost, loss or liability incurred by the Facility Agent (acting reasonably) as a result of:

- (a) investigating any event which it reasonably believes is a Default; or
- (b) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised.

**15.3Indemnity to the Secured Parties**

The Borrower shall promptly indemnify the Secured Parties against any cost, loss or liability incurred by any of them as a result of:

- (a) the taking, holding, protection or enforcement of the Transaction Security;
- (b) the exercise of any of the rights, powers, discretions and remedies vested in the Secured Parties by the Finance Documents or by law; and
- (c) any default by the Borrower or a member of the Group in the performance of any of the obligations expressed to be assumed by it in the Finance Documents.

**16.COSTS AND EXPENSES**

**16.1Transaction expenses**

The Borrower shall, within ten (10) Business Days of demand, pay the Administrative Parties the amount of all costs and expenses (including, but not limited to, legal fees, travel, due diligence and

out-of-pocket expenses) reasonably incurred by any of them in connection with the negotiation, preparation, execution, syndication and perfection of:

- (a) this Agreement and any other documents referred to in this Agreement and the Transaction Security; and
- (b) any other Finance Documents executed after the date of this Agreement.

**16.2Amendment costs**

If the Borrower requests an amendment, waiver or consent, the Borrower shall, within ten (10) Business Days of demand, reimburse each of the Facility Agent and the Security Agent for the amount of all costs and expenses (including, but not limited to, legal fees) reasonably incurred by the Facility Agent and the Security Agent in responding to, evaluating, negotiating or complying with that request or requirement.

**16.3Enforcement and preservation costs**

The Borrower shall, within ten (10) Business Days of demand, pay to each Secured Party the amount of all costs and expenses (including, but not limited to, legal fees) incurred by that Secured Party in connection with the enforcement of, or the preservation of any rights under, any Finance Document and the Transaction Security and any proceedings instituted by and against a Secured Party as a consequence of taking or holding the Transaction Security or enforcing these rights.

**17.REPRESENTATIONS**

The Borrower makes the representations and warranties set out in this Clause 17 to each Finance Party on the date of this Agreement.

**17.1Status**

- (a) It is a corporation, duly incorporated and validly existing under the laws of Korea.
- (b) It has the power to own its assets and carry on its business as it is being conducted.

**17.2Binding obligations**

The obligations expressed to be assumed by it in each Finance Document, are legal, valid, binding and enforceable obligations.

**17.3Non-conflict with other obligations**

The entry into and performance by it of, and the transactions contemplated by, the Finance Documents is not and will not be in conflict which has or is reasonably likely to have a Material Adverse Effect with:

- (a) any law or regulation applicable to it;
- (b) its constitutional documents; or
- (c) any agreement or instrument binding upon it or any of its assets.

**17.4Power and authority**

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Finance Documents to which it is a party and the transactions contemplated by those Finance Documents.

**17.5Validity and admissibility in evidence**

All Authorisations required or desirable:

- (a) to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents to which it is a party;
- (b) to make the Finance Documents to which it is a party admissible in evidence; and
- (c) for it to carry on their business,

have been obtained or effected and are in full force and effect.

**17.6Deduction of Tax**

Except as specifically referred to in any legal opinion delivered in accordance with Clause 4 (*Conditions of Utilisation*), it is not required to make any deduction for or on account of Tax from any payment it may make under any Finance Document.

**17.7No filing or stamp taxes**

Except as specifically referred to in any legal opinion delivered in accordance with Clause 4 (*Conditions of Utilisation*), it is not necessary that the Finance Documents be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to the Finance Documents or the transactions contemplated by the Finance Documents except for stamp taxes in a nominal amount that are payable on each copy or counterpart of the Finance Documents that are executed in Korea.

**17.8No default**

(a) No Event of Default is continuing or is expected to result from the making of any Utilisation.

(b) No other event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on it or to which its assets are subject which might have a Material Adverse Effect.

**17.9Information**

(a) Except as otherwise disclosed by the Borrower to the Facility Agent prior to the date of this Agreement, it is not aware of any untrue statement of any material fact it made, or of any omission of any material fact from any of the information it provided.

(b) All other factual information provided in writing by or on behalf of the Borrower or any member of the Group (including its advisers) to any Finance Party is true and complete in all materials respects as at the date such information is provided or as at the date (if any) at which it is stated, and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make such information, in light of the circumstances in which such information is provided, not misleading in any material respect. For the avoidance of doubt, any information or data relating to budgets, forecasts and other business or financial projections and all other forward-looking information in relation to the Borrower that may have been provided by the Borrower or its representatives shall not be viewed as facts or a guarantee of performance or achievement of any particular results.

**17.10Financial statements**

(a) The financial statements most recently supplied by it to the Facility Agent (which, at the date of this Agreement, are the Original Financial Statements) were prepared in accordance with K-IFRS (in the case of the Original Financial Statements, GAAP) consistently applied.

(b) The financial statements most recently supplied by it to the Facility Agent (which, at the date of this

- Agreement, are the Original Financial Statements) give a true and fair view and represent its (in the case of the Original Financial Statements, Target's) financial condition and operations during the relevant financial year.
- (c) There has been no material adverse change in the business or financial condition of the Target since the date of the Original Financial Statements.
- 17.11Pari passu ranking**  
Its payment obligations under the Finance Documents rank at least *pari passu* with the claims of all of its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.
- 17.12No proceedings pending or threatened**  
No litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency have been started or threatened against it or any of its Subsidiaries which, if adversely determined, might reasonably be expected to have a Material Adverse Effect.
- 17.13Authorised Signatures**  
Any person specified as its authorised signatory under Schedule 1 (*Conditions of Utilisation*) or paragraph (e) of Clause 18.3 (*Information: miscellaneous*) is authorised to sign Utilisation Requests and other notices on its behalf.
- 17.14Security**  
No Security exists over all or any of the present or future assets of any member of the Group other than any Security permitted under Clause 19.4 (*Negative Pledge*).
- 17.15Ranking**  
The Transaction Security has or will have first ranking priority and it is not subject to any prior ranking or *pari passu* ranking Security.
- 17.16Transaction Security**  
Each Security Document to which it is a party validly creates the Security which is expressed to be created by that Security Document.
- 17.17Good title to assets**  
It has good, valid and marketable title to, or valid leases or licences of, and all appropriate Authorisations to use, the assets necessary to carry on its business as presently conducted.
- 17.18Legal and beneficial owner**  
It is the absolute legal owner and beneficial owner of the assets subject to the Transaction Security.
- 17.19Insolvency**  
(a) It is able to meet its obligations as they fall due, and it does not or has not admitted any inability to pay its debts as they fall due or has suspended making payments on any of its debts.  
(b) No moratorium has been declared in respect of any of the indebtedness of the Borrower.  
(c) None of the events referred to in Clause 20.6 (*Insolvency proceedings*) has occurred nor been threatened in relation to the Borrower.
- 17.20Taxation**  
(a) It has paid and discharged all material Taxes imposed upon it or any of its assets within the time

period allowed without incurring penalties, save to the extent that (a) payment of such Taxes is being contested in good faith and (b) it has maintained reserves (that are, in its good faith determination, adequate) for such Taxes.

- (b) It is not materially overdue in the filing of any Tax returns where late filing will result in the imposition of any material fine, penalty or liability on it or such member of the Group.
- (c) No claims or investigations are being, or are reasonably likely to be, made or conducted against it with respect to Taxes, such that a material liability of or claim against it is reasonably likely to arise or become outstanding except for any such claim or investigations that are being or will be contested in good faith and in respect of which the Restricted Group is entitled to full indemnification.

**17.21Group structure**

- (a) The Sponsor owns all of the issued shares in the Borrower.
- (b) The Sponsor owns not less than, as of the date hereof 74,720,000 shares in the Target, being 69.9% of the total issued and outstanding shares in the Target.

**17.22Account**

Other than the Drawdown Account, the Tender Offer Account and such other account that has been granted as security in favour of the Secured Parties pursuant to the Security Documents, no account has been opened and maintained by the Borrower.

**17.23Repetition**

The Repeating Representations are deemed to be made by the Borrower by reference to the facts and circumstances then existing on the date of the Utilisation Request, Utilisation Date and the first day of each Interest Period.

**18.INFORMATION UNDERTAKINGS**

The undertakings in this Clause 18 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

**18.1Financial statements**

The Borrower shall supply to the Facility Agent:

- (a) as soon as the same become available, but in any event within 120 days after the end of each of its financial years:
  - (i) its audited consolidated and non-consolidated financial statements for that financial year, provided that its obligation under this sub-clause shall not apply on or prior to the Acquisition Closing Date;
  - (ii) the audited consolidated and non-consolidated financial statement of the Target for that financial year; and
- (b) as soon as the same become available, but in any event within 90 days after the end of the first half of each of its financial year:
  - (i) its reviewed consolidated and non-consolidated financial statements for that financial half-year; and
  - (ii) the reviewed consolidated and non-consolidated financial statements of the Target for

that financial half-year.

#### 18.2Requirements as to financial statements

- (a) Each set of financial statements delivered by the Borrower pursuant to Clause 18.1 (*Financial statements*) shall be certified by a director of the Borrower as fairly representing its financial condition as at the date as at which those financial statements were drawn up.
- (b) The Borrower shall procure that each set of financial statements delivered pursuant to Clause 18.1 (*Financial statements*) is prepared using GAAP and/or K-IFRS (as applicable).

#### 18.3Information: miscellaneous

The Borrower shall supply to the Facility Agent (in sufficient copies for all the Finance Parties, if the Facility Agent so requests):

- (a) all documents despatched by the Borrower to its shareholders (or any class of them) or its creditors generally at the same time as they are despatched;
- (b) promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against any member of the Group, and which might, if adversely determined, have a Material Adverse Effect;
- (c) promptly upon becoming aware of them, any material claims which Borrower has against any of its insurers;
- (d) promptly, such further information regarding the financial condition, business and operations of any member of the Group as any Finance Party (through the Facility Agent) may reasonably request; and
- (e) promptly, notice of any change in authorised signatories of the Borrower accompanied by specimen signatures of any new authorised signatories.

#### 18.4Notification of default

- (a) The Borrower shall notify the Facility Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.
- (b) Promptly upon a request by the Facility Agent, the Borrower shall supply to the Facility Agent a certificate signed by its representative director certifying that no Default is continuing (or if a Default is continuing, specifying the Default and the steps, if any, being taken to remedy it).

#### 19.GENERAL UNDERTAKINGS

The undertakings in this Clause 19 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

##### 19.1Authorisations

The Borrower shall promptly obtain, comply with and do all that is necessary to maintain in full force and effect any Authorisation required to enable it to perform its obligations under the Finance Documents and to ensure the legality, validity, enforceability or admissibility in evidence of any Finance Document.

##### 19.2Compliance with laws

The Borrower shall comply in all respects with all laws to which it may be subject, if failure so to comply would materially impair its ability to perform its obligations under the Finance Documents.

##### 19.3Pari passu ranking



The Borrower shall ensure that its payment obligations under the Finance Documents rank and continue to rank at least *pari passu* with the claims of all of its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

#### 19.4 **Negative pledge**

(a) The Borrower shall not create or permit to subsist any Security over any of its assets.

(b) Paragraphs (a) above do not apply to:

- (i) any netting or set-off arrangement entered into in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances and in the ordinary course of its banking activity;
- (ii) any lien arising by operation of law and in the ordinary course of business **provided that** the debt which is secured thereby is paid when due or contested in good faith by appropriate proceedings and properly provisioned;
- (iii) any Transaction Security; and
- (iv) any Security permitted by the Facility Agent.

#### 19.5 **Disposals**

The Borrower shall not enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, transfer or otherwise dispose of any asset, except for any Permitted Disposal.

#### 19.6 **Merger**

The Borrower shall not enter into any amalgamation, demerger, merger or corporate reconstruction.

#### 19.7 **Change of business**

The Borrower shall not substantially change the general nature of its business from that carried on at the date of this Agreement except for business which is related, incidental or similar to the business of the Group.

#### 19.8 **Acquisitions**

The Borrower shall not acquire any company, business, assets or make any investment or incorporate a company or corporation other than the Acquisition.

#### 19.9 **Loans and guarantees**

The Borrower shall not make any loans, grant any credit or give any guarantee or indemnity (except as required under any of the Finance Documents) to or for the benefit of any person or otherwise voluntarily assume any liability, whether actual or contingent, in respect of any obligation of any person.

#### 19.10 **Financial Indebtedness**

(a) The Borrower shall not incur any Financial Indebtedness.

(b) Paragraph (a) above does not apply to any Permitted Indebtedness.

#### 19.11 **Distributions**

The Borrower shall not:

- (i) declare, make or pay any dividend, charge, fee or other distribution (or interest on any unpaid

dividend, charge, fee or other distribution) (whether in cash or in kind) on or in respect of its share capital (or any class of its share capital);

(ii) pay any management, advisory or other fee to or to the order of any of the shareholders of the Borrower; or

(iii) redeem, reduce, repurchase, defease, retire or repay any of the Borrower's share capital or resolve to do so.

#### 19.12 **Preservation of Assets**

The Borrower shall maintain and preserve all of its assets that are necessary or desirable, in the opinion of the Security Agent, for the conduct of its business, as conducted at the date of this Agreement, in good working order and condition, ordinary wear and tear excepted.

#### 19.13 **Access**

The Borrower shall:

(a) on request of the Facility Agent, provide the Facility Agent and Security Agent with any information the Facility Agent or Security Agent may reasonably require about that company's business and affairs, the Charged Property and its compliance with the terms of the Security Documents; and

(b) permit the Security Agent, its representatives, delegates, professional advisers and contractors, free access at all reasonable times and on reasonable notice at the cost of the Borrower, (i) to inspect and take copies and extracts from the books, accounts and records of that company and (ii) to view the Charged Property.

#### 19.14 **Further assurance**

(a) The Borrower shall promptly do all such acts or execute all such documents (including assignments, transfers, mortgages, charges, notices and instructions) as the Security Agent may reasonably specify (and in such form as the Security Agent may require in favour of the Security Agent or its nominee(s)):

(i) to perfect the Security created or intended to be created under or evidenced by the Security Documents or for the exercise of any rights, powers and remedies of the Security Agent or the Finance Parties provided by or pursuant to the Finance Documents or by law; and/or

(ii) to facilitate the realisation of the assets which are, or are intended to be, the subject of the Transaction Security.

(b) The Borrower shall take all such action as is available to it (including making all filings and registrations) as may be necessary for the purpose of the creation, perfection, protection or maintenance of any Security conferred or intended to be conferred on the Security Agent or the Finance Parties by or pursuant to the Finance Documents.

(c) If any assets acquired by any member of the Group after the Initial Utilisation Date and such assets are required to be subject to the Transaction Security in accordance with the applicable Security Document, the Borrower shall cause such assets to be subjected to the Security Document to which such assets are related and will take, such actions as shall be necessary or requested by the Security Agent to grant and perfect such Transaction Security consistent with the applicable requirements of the applicable Security Documents (including, where appropriate, by execution of a supplement to

an applicable Security Document in the form required under such Security Document or, to the extent, requested by the Security Agent, execution of a new Security Document in form and substance satisfactory to the Security Agent) all at the expense of the Borrower.

19.15Taxation

The Borrower shall pay and discharge all material Taxes imposed upon it or its assets within the time period allowed without incurring penalties unless and only to the extent that:

- (a)payment of such Taxes is being contested in good faith; and
- (b)reserves (that are determined by the Borrower in good faith to be adequate) are being maintained for such Taxes.

19.16Books and records, access

The Borrower shall:

- (a)maintain books, accounts and records (with respect to itself and its business) in good order; and
- (b)permit each of the Lenders and/or accountants, agents, representatives and/or other professional advisers of the Lenders free access at all reasonable times and on reasonable notice (after consultation with the Borrower) to:
  - (iii)inspect and take copies and extracts from the books, accounts and records of the Borrower;
  - (iv)view any physical assets which are the subject of any Transaction Security;
  - (v)access and inspect the premises of the Borrower; and
  - (vi)meet and discuss matters with officers and senior management of the Borrower,

and in each case where any of the foregoing rights are exercised at any time during the continuance of an Event of Default, the Borrower shall, as soon as reasonably practicable and in any event within ten (10) Business Days of demand on the Borrower, pay (and/or reimburse the Lenders against) any and all costs and expenses of such accountants, agents and/or other professional advisers of the Lenders properly incurred in connection with any or all of the foregoing (and, for the avoidance of doubt, if the foregoing rights are exercised at a time when no Event of Default is continuing, the Borrower shall not have any obligation to pay or reimburse the Lenders against any such costs or expenses).

19.17Arm's length basis

The Borrower shall not sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except for transactions in the ordinary course of business at prices and on terms and conditions not less favorable to it than could be obtained on an arm's length basis from unrelated third parties.

19.18Conditions Subsequent

- (a) The Borrower shall receive an in-kind equity contribution from the Sponsor of not less than 74,720,000 shares in the Target (being 69.9% of the total issued and outstanding shares of the Target) within six

- (6) months of the Acquisition Closing Date and the Borrower shall, promptly (and, in any event, within two (2) Business Days from the date of such in-kind equity contribution), pledge such shares in the Target contributed by the Sponsor to the Secured Parties in form and substance reasonably satisfactory to the Security Agent.
- (b) The Borrower shall, every time it acquires shares in the Target, pledge such shares to the Secured Parties as soon as practicable following such acquisition in form and substance reasonably satisfactory to the Security Agent.
- (c) In case of a Loan to be applied towards funding of the cost of a Tender Offer, the Borrower shall, within five (5) Business Days from the relevant Utilisation Date unless otherwise extended, (i) deliver a copy of public notice of commencement of such Tender Offer to the Facility Agent and (ii) file a report with the Financial Supervisory Service regarding such Tender Offer.

**19.19Holding company**

- (a) The Borrower shall not carry on any business, own any assets, create any Security or incur or discharge any liability other than:
- (i)holding issued and outstanding shares in the Target;
  - (ii)incurring liabilities and granting Security pursuant to the Finance Documents;
  - (iii)consummating the Acquisition;
  - (iv)activities expressly contemplated by the Finance Documents; or
  - (v)the costs of acquiring the Target.
- (b) The Borrower shall not establish or acquire any direct Subsidiary other than the Target.

**19.20Bank Account**

- (a) The Borrower shall not open or maintain any account with any bank or other financial institution except for the Drawdown Account, the Tender Offer Account and any other account(s) as permitted by the Security Agent and is opened and maintained with the Security Agent.
- (b) The Borrower shall ensure that all amounts to be received by it or for its account are deposited into the Drawdown Account.
- (c) The Borrower may withdraw from the Drawdown Account any amount standing to the credit of that account and apply that amount only for the purposes contemplated in this Agreement (including, transferring the cost of the Acquisition to the Tender Offer Account).
- (d) The Borrower may withdraw from the Tender Offer Account any amount standing to the credit of that account and apply that amount only for the purpose of funding the costs of the Acquisition or payment of the Secured Obligations.
- (e) The Borrower irrevocably authorizes the Facility Agent to withdraw from the Drawdown Account any amount standing to the credit of that account and apply that amount for the purposes contemplated in this Agreement.

**19.21Account Pledge**

In the event that any Tender Offer is withdrawn or otherwise fails to be completed or successfully completed, the Borrower shall promptly (and, in any event, within three (3) Business Days from the date of such withdrawal or failure or completion) grant a pledge in respect of the Tender Offer Account in favour of the Secured Parties in form reasonably satisfactory to the Security Agent; *provided that*, after granting a pledge over the Tender Offer Account, if the conditions precedent for the Utilisation of a Loan to be applied towards the cost of another Tender Offer have been satisfied, the Security Agent, together with the Secured Parties (if necessary), shall release such pledge over the Tender Offer Account.

**20.EVENTS OF DEFAULT**

Each of the events or circumstances set out in the following sub-clauses of this Clause 20 (other than Clause 20.16 (*Acceleration*)) is an Event of Default.

**20.1Non-payment**

The Borrower does not pay on the due date any amount payable pursuant to a Finance Document at the place at and in the currency in which it is expressed to be payable unless:

- (a) its failure to pay is caused by administrative or technical error; and
- (b) payment is made within five (5) Business Days of its due date.

**20.2Other obligations**

(a)Any member of the Group or the Sponsor does not comply with any provision of the Finance Documents to which it is a party (other than those referred to in Clause 20.1 (*Non-payment*)).

(b)No Event of Default under paragraph (a) above will occur if the failure to comply is capable of remedy and is remedied within five (5) Business Days of the earlier of (A) the Facility Agent giving notice to the Borrower and (B) the Borrower becoming aware of the failure to comply.

**20.3Misrepresentation**

Any representation or statement made or deemed to be made by any member of the Group or the Sponsor in the Finance Documents or any other document delivered by or on behalf of such member of the Group or the Sponsor under or in connection with any Finance Document to which it is a party is or proves to have been incorrect or misleading in any material respect when made or deemed to be made.

**20.4Cross default**

(a)Any Financial Indebtedness of any member of the Group is not paid when due nor within any originally applicable grace period.

(b)Any Financial Indebtedness of any member of the Group is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).

(c)Any commitment for any Financial Indebtedness of any member of the Group is cancelled or suspended by a creditor of any member of the Group as a result of an event of default (however described).

(d)Any creditor of any member of the Group becomes entitled to declare any Financial Indebtedness of any member of the Group due and payable prior to its specified maturity as a result of an event of default (however described).

(e)No Event of Default will occur under this Clause 20.4 if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (a) to (d) above is less than KRW 50,000,000,000 (or its equivalent in any other currency or currencies).

**20.5Insolvency**

(a)A member of the Group is or is deemed to or declared for the purpose of the Bankruptcy Law to be unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness.

(b)The value of the assets of any member of the Group is less than its liabilities for the purpose of the Bankruptcy Law on a going concern basis.

(c)A moratorium is declared in respect of any indebtedness of any member of the Group.

**20.6Insolvency proceedings**

Any corporate action, legal proceedings or other procedure or step is taken (in the case of a frivolous and vexatious involuntary action, proceeding or procedure unless discharged within thirty (30) days) in relation to:

- (a) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration, provisional supervision, rehabilitation or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of any member of the Group;
  - (b) the designation of the Borrower or any member of the Group as a failing company under the Corporate Restructuring Promotion Act of Korea;
  - (c) a composition or arrangement with any creditor of any member of the Group;
  - (d) the appointment of a liquidator, receiver, administrator, administrative receiver, judicial manager, compulsory manager, provisional supervisor or other similar officer in respect of any member of the Group or any of its assets; or
  - (e) enforcement of any Security over any assets of any member of the Group,
- or any analogous procedure or step is taken in any jurisdiction.

20.7**Creditors' process**

Any expropriation, (provisional) attachment, sequestration, distress or execution affects any asset or assets of a member of the Group having an aggregate value of more than KRW 10,000,000,000 (provided that, in the case of a provisional attachment is not discharged, stayed or dismissed within thirty (30) days).

20.8**Unlawfulness**

It is or becomes unlawful for any member of the Group or the Sponsor to perform any of its material obligations under the Finance Documents to which it is a party or any Transaction Security created or expressed to be created or evidenced by the Security Documents ceases to be effective.

20.9**Repudiation**

Any member of the Group or the Sponsor repudiates a Finance Document to which it is a party or any of the Transaction Security.

20.10**Cessation of business**

The Borrower suspends or ceases to carry on all or a material part of its business or of the business of the Group taken as a whole.

**20.11 Audit Qualification**

The auditor's report of the financial statements supplied to the Facility Agent pursuant to this Agreement contains a disclaimer of opinion ( ) or adverse opinion ( ).

**20.12 Clearing house suspension**

Seoul Clearing House suspends or ceases to carry on any current account transaction of any member of the Group.

**20.13 Expropriation**

All or any material part of the assets of any member of the Group are seized, nationalised, expropriated or compulsorily acquired by, or by the order of, any Governmental Agency.

**20.14 Transaction Security**

(a) Any member of the Group or the Sponsor fails to perform or comply with any of the obligations assumed by it in the Security Documents to which it is a party.

(b) At any time any of the Transaction Security is or becomes unlawful or is not, or ceases to be legal, valid, binding or enforceable or otherwise ceases to be effective.

(c) At any time, any of the Transaction Security fails to have first ranking priority or is subject to any prior ranking or *pari passu* ranking Security.

**20.15 Material adverse change**

Any event or circumstance occurs which the Majority Lender reasonably determines has a Material Adverse Effect.

**20.16 Change of control**

The Sponsor ceases to, directly or indirectly, own at least two-thirds (2/3) of all issued and outstanding shares of the Target.

**20.17 Acceleration**

(a) On the occurrence of an Event of Default under Clause 20.6 (*Insolvency Proceedings*) or Clause 20.12 (*Clearing house suspension*):

(i) the Commitments shall immediately be cancelled;

(ii) all or part of the Loans, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents shall be immediately due and payable; and

(iii) the Facility Agent may, and shall if so directed by the Majority Lenders, exercise, or direct the Security Agent to exercise, any or all of its rights, remedies and powers under any of the Finance Documents.

(b) On and at any time after the occurrence of an Event of Default (other than under Clause 20.6 (*Insolvency Proceedings*) or Clause 20.12 (*Clearing house suspension*)) which is continuing the Facility Agent may, and shall if so directed by the Majority Lenders, by notice to the Borrower:

(i) without prejudice to the participations of any Lenders in the Loans then outstanding cancel

the Commitments, whereupon they shall immediately be cancelled;

(ii) declare that all or part of the Loans, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, whereupon they shall become immediately due and payable;

(iii) declare that all or part of the Loans be payable on demand, whereupon they shall immediately become payable on demand by the Facility Agent on the instructions of the Majority Lenders; and/or

(iv) exercise, or direct the Security Agent to exercise, any or all of its rights, remedies and powers under any of the Finance Documents.

#### 20.18 No prior business

The Borrower (i) has not traded or carried on any business; (ii) does not have any liabilities or obligations (actual or contingent, present or future); or (iii) has not entered into any contracts, other than as contemplated by or in connection with the Finance Documents or the Acquisition.

### 21. CHANGES TO THE PARTIES

#### 21.1 Transfers by the Lenders

Subject to this Clause 21, a Lender (the "**Existing Lender**") may transfer any of its rights and obligations under the Finance Documents to another Korean bank or Korean branch of a non-Korean financial institution or Korean financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets (the "**New Lender**") in Korea.

#### 21.2 Limitation of responsibility of Existing Lenders

(a) Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:

(i) the legality, validity, effectiveness, adequacy or enforceability of the Finance Documents, the Transaction Security or any other documents;

(ii) the financial condition of the Borrower;

(iii) the performance and observance by the Borrower of its obligations under the Finance Documents or any other documents; or

(iv) the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document or any other document,

and any representations or warranties implied by law are excluded.

(b) Each New Lender confirms to the Existing Lender and the other Finance Parties that it:

(v) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of the Borrower and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender in connection with any Finance Document; and

(vi) will continue to make its own independent appraisal of the creditworthiness of the Borrower and its related entities whilst any amount is or may be outstanding under the Finance



(c) Nothing in any Finance Document obliges an Existing Lender to:

(vii) accept a re-transfer from a New Lender of any of the rights and obligations transferred under this Clause 21; or

(viii) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by the Borrower of its obligations under the Finance Documents or otherwise.

#### 21.3 Procedure for transfer

(a) A transfer is effected in accordance with paragraph (b) below when the Facility Agent executes an otherwise duly completed Transfer Certificate delivered to it by the Existing Lender and the New Lender. The Facility Agent shall as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Transfer Certificate (on behalf of the Finance Parties and the Borrower in accordance with paragraph (c)) below and affix a fixed date stamp on such Transfer Certificate).

(b) On the Transfer Date:

(i) to the extent that in the Transfer Certificate the Existing Lender seeks to transfer its rights and obligations under the Finance Documents and in respect of the Transaction Security the Borrower and the Existing Lender shall be released from further obligations towards one another under the Finance Documents and in respect of the Transaction Security and their respective rights against one another shall be cancelled (being the "**Discharged Rights and Obligations**");

(ii) each of the Borrower and the New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as the Borrower and the New Lender have assumed and/or acquired the same in place of the Borrower and the Existing Lender;

(iii) the Facility Agent, the Security Agent, the New Lender and other Lenders shall acquire the same rights and assume the same obligations between themselves and in respect of the Transaction Security as they would have acquired and assumed had the New Lender been the Original Lender with the rights and/or obligations acquired or assumed by it as a result of the transfer and to that extent the Facility Agent, the Security Agent and the Existing Lender shall each be released from further obligations to each other under this Agreement; and

(iv) the New Lender shall become a Party as a "Lender" and entitled to the benefits of any other Finance Document entered into by the Facility Agent and/or Security Agent on behalf of the Lenders.

(c) For the purpose of any transfer pursuant to this Clause:

(i) each of the Finance Parties (other than the Facility Agent) and the Borrower irrevocably appoints the Facility Agent as its attorney-in-fact with full power and authority on its behalf and in its name to execute any Transfer Certificate (appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement);

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(ii) each Lender hereby irrevocably appoints the Facility Agent as such Lender's attorney-in-fact with full power and authority on its behalf and in its name to deliver any Transfer Certificate (to which it is a party) to the Borrower; and

(iii) the Borrower hereby irrevocably appoints the Facility Agent as its attorney-in-fact with full power and authority on its behalf and in its name to take all actions as may be necessary in order to effect any transfer by any Lender in accordance with Clause 21 (*Changes to the Parties*).

(d) The procedure set out in this Clause 21.3 shall not apply to any right or obligation under any Finance Document (other than this Agreement) if and to the extent its terms, or any laws or regulations applicable thereto, provide for or require a different means of transfer of such right or obligation or prohibit or restrict any transfer of such right or obligation, unless such prohibition or restriction shall not be applicable to the relevant transfer or each condition of any applicable restriction shall have been satisfied.

#### 21.4 Copy of Transfer Certificate to Borrower

The Facility Agent shall, as soon as reasonably practicable after it has executed a Transfer Certificate, send to the Borrower a copy of that Transfer Certificate (in contents and delivery certified mail).

**21.5 Existing consents and waivers**

A New Lender shall be bound by any consent, waiver, election or decision given or made by the relevant Existing Lender under or pursuant to any Finance Document prior to the coming into effect of the relevant transfer to such New Lender.

**21.6 Exclusion of Facility Agent's liability**

In relation to any transfer pursuant to this Clause 21, each Party acknowledges and agrees that the Facility Agent shall not be obliged to enquire as to the accuracy of any representation or warranty made by a New Lender in respect of its eligibility as a Lender.

**21.7 Transfers by the Borrower**

The Borrower may not transfer any of its rights or obligations under any Finance Document, except with the prior written consent of all the Lenders.

**22. DISCLOSURE OF INFORMATION**

Any Finance Party may deliver copies of the Finance Documents and/or disclose any information received by it under or pursuant to any Finance Document or any other information about the Borrower, the Group and the Finance Documents as that Finance Party shall consider appropriate to:

(a) any of its Affiliates;

(b) its head office and any other branch;

(c) any other Finance Party;

(d) any of its professional advisers and any other person providing services to it (provided that such person is under a duty of confidentiality, contractual or otherwise, to such Finance Party);

(e) the Borrower;

(f) any person permitted by the Borrower;

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(g) any person to the extent required for the purpose of any litigation, arbitration or regulatory proceedings or procedure;

(h) any person to whom, and to the extent that, information is required to be disclosed by any applicable law or regulation; and

(i) any other person:

(i) to (or through) whom that Lender transfers (or may potentially transfer) all or any of its rights and obligations under this Agreement; or

(ii) with (or through) whom that Lender enters into (or may potentially enter into) any sub-participation in relation to, or any other transaction under which payments are to be made by reference to, the Facility, this Agreement, the Borrower or any member of the Group.

The Borrower may deliver copies of the Finance Documents and/or disclose any information received by it under or pursuant to any Finance Document or any other information about the Finance Documents to any potential investor as it may consider appropriate.

This Clause supersedes any previous agreement relating to the confidentiality of such information.

**23.ROLE OF THE FACILITY AGENT**

**23.1Appointment of the Facility Agent**

(a)Each of the other Finance Parties (other than the Security Agent) appoints the Facility Agent to act as its agent under and in connection with the Finance Documents.

(b)Each of the other Finance Parties authorises the Facility Agent to exercise the rights, powers, authorities and discretions specifically given to the Facility Agent under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.

**23.2Duties of the Facility Agent**

(a)The Facility Agent shall promptly forward to a Party the original or a copy of any document which is delivered to the Facility Agent for that Party by any other Party.

(b)Except where a Finance Document specifically provides otherwise, the Facility Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.

(c)If the Facility Agent receives notice from a Party referring to this Agreement, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the Lenders.

(d)If the Facility Agent is aware of the non-payment of any principal, interest, commitment fee or other fee payable to a Finance Party (other than to any Administrative Party) under this Agreement it shall promptly notify the other Lenders.

(e)The Facility Agent's duties under the Finance Documents are solely mechanical and administrative in nature. The Facility Agent shall have no other duties save as expressly provided for in the Finance Documents.

(f)The Facility Agent shall promptly forward to the Security Agent a copy of all notices issued pursuant to Clause 20.17 (*Acceleration*).

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**23.3No fiduciary duties**

- (a)Nothing in this Agreement constitutes any Administrative Party as a trustee or fiduciary of any other person.
- (b)No Administrative Party shall be bound to account to any Lender for any sum or the profit element of any sum received by it for its own account.

**23.4Business with the Group**

Any Administrative Party may accept deposits from, lend money to and generally engage in any kind of banking or other business with any member of the Group.

### 23.5 Rights and discretions of the Facility Agent

(a) The Facility Agent may rely on:

- (i) any representation, notice or document believed by it to be genuine, correct and appropriately authorised and shall have no duty to verify any signature on any document; and
- (ii) any statement purportedly made by a director, authorised signatory or employee of any person regarding any matters which may reasonably be assumed to be within his knowledge or within his power to verify.

(b) The Facility Agent may assume (unless it has received notice to the contrary in its capacity as agent for the Lenders) that:

- (i) no Default has occurred (unless it has actual knowledge of a Default arising under Clause 20.1 (*Non-payment*)); and
- (ii) any right, power, authority or discretion vested in any Party or the Majority Lenders has not been exercised.

(c) The Facility Agent may engage, pay for and rely on the advice or services of any lawyers, accountants, surveyors or other experts.

(d) The Facility Agent may act in relation to the Finance Documents through its personnel and agents.

(e) The Facility Agent may disclose to any other Party any information it reasonably believes it has received as agent under this Agreement.

(f) Notwithstanding any other provision of any Finance Document to the contrary, no Administrative Party is obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or a breach of a fiduciary duty or duty of confidentiality.

### 23.6 Majority Lenders' instructions

(a) Unless a contrary indication appears in a Finance Document, the Facility Agent shall (i) exercise any right, power, authority or discretion vested in it as Facility Agent in accordance with any instructions given to it by the Majority Lenders (or, if so instructed by the Majority Lenders, refrain from exercising any right, power, authority or discretion vested in it as Facility Agent) and (ii) not be liable for any act (or omission) if it acts (or refrains from taking any action) in accordance with an instruction of the Majority Lenders.

(b) Unless a contrary indication appears in a Finance Document, any instructions given by the Majority Lenders will be binding on all the Finance Parties.

(c) The Facility Agent may refrain from acting in accordance with the instructions of the Majority Lenders (or, if appropriate, the Lenders) or under paragraph (d) below until it has received such security as it may require for any cost, loss or liability (together with any associated Indirect Tax) which it may incur in complying with the instructions.

(d) In the absence of instructions from the Majority Lenders, (or, if appropriate, the Lenders) the Facility Agent may act (or refrain from taking action) as it considers to be in the best interest of the Lenders.

(e) The Facility Agent is not authorised to act on behalf of a Lender (without first obtaining that Lender's consent) in any legal or arbitration proceedings relating to any Finance Document.

### 23.7 Exclusion of liability

(a) Without limiting paragraph (b) below, the Facility Agent shall not be liable for any cost, loss or liability incurred by any Party as a consequence of:

- (i) the Facility Agent having taken or having omitted to take any action under or in connection with any Finance Document or the Transaction Security, unless directly caused by the Facility Agent's gross negligence or wilful misconduct; or
- (ii) any delay in the crediting to any account of an amount required under the Finance Documents to be paid by the Facility Agent, if the Facility Agent shall have taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Facility Agent for the purpose of such payment.

(b) No Party (other than the Facility Agent) may take any proceedings against any officer, employee or agent of the Facility Agent in respect of any claim it might have against the Facility Agent or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document and any officer, employee or agent of the Facility Agent may rely on this Clause.

### 23.8 Lenders' indemnity to the Facility Agent

Each Lender shall (in proportion to its share of the Total Commitments or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero) indemnify the Facility Agent, within three (3) Business Days of demand, against any cost, loss or liability incurred by the Facility Agent (otherwise than by reason of the Facility Agent's gross negligence or wilful misconduct) in acting as Facility Agent under the Finance Documents (unless the Facility Agent has been reimbursed by the Borrower pursuant to a Finance Document).

**23.9Resignation of the Facility Agent**

- (a) The Facility Agent may resign by giving notice to the other Finance Parties and the Borrower, in which case the Majority Lenders (after prior consent of the Borrower (not to be unreasonably withheld)) may appoint a successor Facility Agent from among the Lenders.
- (b) If the Majority Lenders have not appointed a successor Facility Agent in accordance with paragraph (a) above within 30 days after notice of resignation was given, the Facility Agent (after consultation with the Borrower) may appoint a successor Facility Agent (being a reputable bank or other financial institutions experienced in the type of transactions contemplated under this Agreement).
- (c) The retiring Facility Agent shall make available to the successor Facility Agent such documents and records and provide such assistance as the successor Facility Agent may reasonably request for the purposes of performing its functions as Facility Agent under the Finance Documents.

- (d) The Facility Agent's resignation notice shall take effect only upon the appointment of a successor in accordance with this Clause 23.9.
- (e) Upon the appointment of a successor, the retiring Facility Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of this Clause 23. Its successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.
- (f) The Facility Agent shall not be required to resign unless there is any gross negligence or wilful misconduct committed by the Facility Agent.

**23.10Confidentiality**

- (a) In acting as agent for the Finance Parties, the Facility Agent shall be regarded as acting through its agency division which shall be treated as a separate legal person from any other of its branches, divisions or departments.
- (b) If information is received by another branch, division or department of the legal person which is the Facility Agent, it may be treated as confidential to that branch, division or department and the Facility Agent shall not be deemed to have notice of it.

**23.11Relationship with the Lenders**

- (a) Subject to Clause 26.2 (*Distributions by the Facility Agent*), the Facility Agent may treat each Lender as a Lender, entitled to payments under this Agreement and acting through its Facility Office unless it has received not less than five (5) Business Days prior notice from that Lender to the contrary in accordance with the terms of this Agreement.
- (b) Each Secured Party shall supply the Facility Agent with any information that the Security Agent may reasonably specify (through the Facility Agent) as being necessary or desirable to enable the Security Agent to perform its functions as security agent. Each Lender shall deal with the Security Agent exclusively through the Facility Agent and shall not deal directly with the Security Agent.

**23.12Deduction from amounts payable by the Facility Agent**

If any Party owes an amount to the Facility Agent under the Finance Documents the Facility Agent may, after giving notice to that Party, deduct an amount not exceeding that amount from any payment to that Party which the Facility Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Finance Documents that Party shall be regarded as having received any amount so deducted.

24.ROLE OF SECURITY AGENT

24.1Duties and responsibilities

Each of the parties to this Agreement agrees that the Security Agent shall have only those duties, obligations and responsibilities expressly specified in this Agreement or in the Security Documents (and no others shall be implied).

24.2Security Agent's Instructions

The Security Agent shall:

- (a) unless a contrary indication appears in a Finance Document, act in accordance with any instructions given to it by the Facility Agent and shall be entitled to assume that (i) any instructions received by it from the Facility Agent are duly given by or on behalf of the Majority

Lenders or, as the case may be, the Lenders in accordance with the terms of the Finance Documents and (ii) unless it has received actual notice of revocation that any instructions or directions given by the Facility Agent have not been revoked;

- (b) be entitled to request instructions, or clarification of any direction, from the Facility Agent as to whether, and in what manner, it should exercise or refrain from exercising any rights, powers and discretions and the Security Agent may refrain from acting unless and until those instructions or clarification are received by it; and
- (c) be entitled to, carry out all dealings with the Lenders through the Facility Agent and may give to the Facility Agent any notice or other communication required to be given by the Security Agent to the Lenders.

#### 24.3 Security Agent's Actions

Subject to the provisions of this Clause 24:

- (a) the Security Agent may, in the absence of any instructions to the contrary, take such action in the exercise of any of its powers and duties under the Finance Documents which in its absolute discretion it considers to be for the protection and benefit of all the Secured Parties; and
- (b) at any time after receipt by the Security Agent of notice from the Facility Agent directing the Security Agent to exercise all or any of its rights, remedies, powers or discretions under any of the Finance Documents, the Security Agent may, and shall if so directed by the Facility Agent, take any action as in its sole discretion it thinks fit to enforce the Transaction Security.

#### 24.4 Security Agent's Discretions

The Security Agent may:

- (a) assume (unless it has received actual notice to the contrary in its capacity as Security Agent for the Secured Parties) that (i) no Default has occurred and no member of the Group is in breach of or default under its obligations under any of the Finance Documents; and (ii) any right, power, authority or discretion vested in any person has not been exercised;
- (b) if it receives any instructions or directions from the Facility Agent to take any action in relation to the Transaction Security, assume that all applicable conditions under the Finance Documents for taking that action have been satisfied;
- (c) engage, pay for and rely on the advice or services of any lawyers, accountants, surveyors or other experts (whether obtained by the Security Agent or by any other Secured Party) whose advice or services may at any time seem necessary, expedient or desirable;
- (d) rely upon any communication or document believed by it to be genuine and, as to any matters of fact which might reasonably be expected to be within the knowledge of a Secured Party or the Borrower, upon a certificate signed by or on behalf of that person; and
- (e) refrain from acting in accordance with the instructions of the Facility Agent or Lenders (including bringing any legal action or proceeding arising out of or in connection with the Finance Documents) until it has received any indemnification and/or security that it may in its absolute discretion require (whether by way of payment in advance or otherwise) for all costs, losses and liabilities which it may incur in bringing such action or proceedings.

#### 24.5 Security Agent's Obligations

The Security Agent shall promptly inform the Facility Agent of:

- (a) the contents of any notice or document received by it in its capacity as Security Agent from the Borrower under any Finance Document; and
- (b) the occurrence of any Default or any default by the Borrower in the due performance of or compliance with its obligations under any Finance Document of which the Security Agent has received notice from any other party to this Agreement.

**24.6Excluded Obligations**

Notwithstanding anything to the contrary expressed or implied in the Finance Documents, the Security Agent shall not:

- (a) be bound to enquire as to (i) whether or not any Default has occurred or (ii) the performance, default or any breach by the Borrower of its obligations under any of the Finance Documents;
- (b) be bound to account to any other Secured Party for any sum or the profit element of any sum received by it for its own account;
- (c) be bound to disclose to any other person (including but not limited to any Secured Party) (i) any confidential information or (ii) any other information if disclosure would, or might in its reasonable opinion, constitute a breach of any law or be a breach of fiduciary duty;
- (d) be under any obligations other than those which are specifically provided for in the Finance Documents; or
- (e) have or be deemed to have any duty, obligation or responsibility to, or relationship of trust or agency with, the Borrower.

**24.7Exclusion of Security Agent's liability**

The Security Agent is not responsible or liable for:

- (a) the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by the Security Agent or any other person in or in connection with any Finance Document or the transactions contemplated in the Finance Documents;
- (b) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document or the Transaction Security or any other agreement, arrangement or document entered into, made or executed in anticipation of or in connection with any Finance Document or the Transaction Security;
- (c) any losses to any person or any liability arising as a result of taking or refraining from taking any action in relation to any of the Finance Documents or the Transaction Security or otherwise, whether in accordance with an instruction from the Facility Agent or otherwise, unless directly caused by its gross negligence or wilful misconduct;
- (d) the exercise of, or the failure to exercise, any judgement, discretion or power given to it by or in connection with any of the Finance Documents, the Transaction Security or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with, the Finance Documents or the Transaction Security; or

- (e) any shortfall which arises on the enforcement of the Transaction Security.

**24.8No proceedings**



No Party (other than the Security Agent) may take any proceedings against any officer, employee or agent of the Security Agent in respect of any claim it might have against the Security Agent or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document or any Transaction Security and any officer, employee or agent of the Security Agent may rely on this Clause.

24.9Own responsibility

Without affecting the responsibility of the Borrower for information supplied by it or on its behalf in connection with any Finance Document, each Secured Party confirms to the Security Agent that it has at all times been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Finance Document including but not limited to:

- (a) the financial condition, creditworthiness, condition, affairs, status and nature of each member of the Group;
- (b) the legality, validity, effectiveness, adequacy and enforceability of any Finance Document and the Transaction Security and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with, any Finance Document or the Transaction Security;
- (c) whether that Secured Party has recourse, and the nature and extent of that recourse, against any Party or any other person or any of their respective assets under or in connection with any Finance Document, the Transaction Security, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with, any Finance Document or the Transaction Security;
- (d) the adequacy, accuracy and/or completeness of any information provided by the Security Agent or by any other person under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with, any Finance Document; and
- (e) the right or title of any person in or to, or the value or sufficiency of any part of the Charged Property, the priority of any of the Transaction Security or the existence of any Security affecting the Charged Property,

and each Secured Party warrants to the Security Agent that it has not relied on and will not at any time rely on the Security Agent in respect of any of these matters.

24.10No responsibility to perfect Transaction Security

The Security Agent shall not be liable for any failure to:

- (a) require the deposit with it of any deed or document certifying, representing or constituting the title of the Borrower to any of the Charged Property;
- (b) obtain any licence, consent or other authority for the execution, delivery, legality, validity,

enforceability or admissibility in evidence of any of the Finance Documents or the Transaction Security;

- (c) register, file or record or otherwise protect any of the Transaction Security (or the priority of any of the Transaction Security) under any applicable laws in any jurisdiction or to give notice to any person of the execution of any of the Finance Documents or of the Transaction Security;
- (d) take, or to require any of member of the Group to take, any steps to perfect its title to any of the Charged Property or to render the Transaction Security effective or to secure the creation of any ancillary Security under the laws of any jurisdiction; or
- (e) require any further assurances in relation to any of the Security Documents.

**24.11Insurance by Security Agent**

- (a) The Security Agent shall not be under any obligation to insure any of the Charged Property, to require any other person to maintain any insurance or to verify any obligation to arrange or maintain insurance contained in the Finance Documents. The Security Agent shall not be responsible for any loss which may be suffered by any person as a result of the lack of or inadequacy of any such insurance.
- (b) Where the Security Agent is named on any insurance policy as an insured party, it shall not be responsible for any loss which may be suffered by reason of, directly or indirectly, its failure to notify the insurers of any material fact relating to the risk assumed by the insurers or any other information of any kind, unless any Secured Party has requested it to do so in writing and the Security Agent has failed to do so within fourteen (14) days after receipt of that request.

**24.12Acceptance of Title**

The Security Agent shall be entitled to accept without enquiry, and shall not be obliged to investigate, the right and title that the Borrower or the Sponsor may have to any of the Charged Property and shall not be liable for or bound to require the Borrower or the Sponsor to remedy any defect in its right or title.

**24.13Refrain from Illegality**

The Security Agent may refrain from doing anything which in its opinion will or may be contrary to any relevant law, directive or regulation of any jurisdiction which would or might otherwise render it liable to any person, and the Security Agent may do anything which is, in its opinion, necessary to comply with any law, directive or regulation.

**24.14Business with the Group**

The Security Agent may accept deposits from, lend money to, and generally engage in any kind of banking or other business with any of member of the Group.

**24.15Release**

If the Security Agent, with the approval of the Majority Lenders, determines that (a) all of the Secured Obligations and all other obligations secured by any of the Security Documents have been fully and finally discharged and (b) none of the Secured Parties is under any commitment, obligation or liability (actual or contingent) to make advances or provide other financial accommodation to the Borrower pursuant to the Finance Documents, the Security Agent, together with the Secured Parties (if necessary), shall release, without recourse or warranty, all of the Transaction Security and the rights

of the Security Agent (and the Secured Parties) under each of the Security Documents.

**24.16 Lender indemnity to the Security Agent**

Each Lender shall (in proportion to its share of the Total Commitments or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero) indemnify the Security Agent, within three (3) Business Days of demand, against any cost, loss or liability incurred by the Security Agent (otherwise than by reason of the Security Agent's gross negligence or wilful misconduct) in acting as Security Agent under the Finance Documents (unless the Security Agent has been reimbursed by the Borrower pursuant to a Finance Document).

**24.17 Resignation of Security Agent**

- (a) The Security Agent may resign by giving notice to the other Parties (or to the Facility Agent on behalf of the Lenders) in which case the Majority Lenders may appoint a successor Security Agent.
- (b) If the Majority Lenders have not appointed a successor Security Agent in accordance with paragraph (a) above within 30 days after the notice of resignation was given, the Security Agent (after consultation with the Facility Agent) may appoint a successor Security Agent.
- (c) The retiring Security Agent shall, at its own cost, make available to the successor Security Agent such documents and records and provide such assistance as the successor Security Agent may reasonably request for the purposes of performing its functions as Security Agent under the Finance Documents.
- (d) The Security Agent's resignation notice shall only take effect upon (i) the appointment of a successor and (ii) the transfer of all of the Transaction Security to that successor.
- (e) Upon the appointment of a successor, the retiring Security Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of Clauses 23 (*Role of the Administrative Parties*) and 24 (*Role of Security Agent*). Its successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.

**24.18 Delegation**

- (a) The Security Agent may, at any time, delegate by power of attorney or otherwise to any person for any period, all or any of the rights, powers and discretions vested in it by any of the Finance Documents.
- (b) The delegation may be made upon any terms and conditions (including the power to sub-delegate) and subject to any restrictions that the Security Agent may think fit in the interests of the Secured Parties and it shall not be bound to supervise, or be in any way responsible for any loss incurred by reason of any misconduct or default on the part of any delegate or sub-delegate.

**24.19 Security Documents**

- (a) Each Secured Party irrevocably authorises the Security Agent to execute any Security Document to which it is expressed to be a party on its behalf.
- (b) In relation to any Transaction Security, to the extent the Security Agent can hold such Transaction Security interest, on trust or otherwise, on behalf of and in favour of the Secured Parties under the governing law of such Transaction Security, each Secured Party authorises the Security Agent to

hold such Transaction Security on behalf of and in favour of the Secured Parties.

25.SHARING AMONG THE FINANCE PARTIES

25.1Payments to Finance Parties

If a Finance Party (a "**Recovering Finance Party**") receives or recovers (whether by set-off or otherwise) any amount from the Borrower other than in accordance with Clause 26 (*Payment mechanics*) or Clause 28 (*Application of Proceeds*) (a "**Recovered Amount**") and applies that amount to a payment due under the Finance Documents then:

- (a) the Recovering Finance Party shall, within three (3) Business Days, notify details of the receipt or recovery, to the Facility Agent;
- (b) the Facility Agent shall determine whether the receipt or recovery is in excess of the amount the Recovering Finance Party would have been paid had the receipt or recovery been received or made by the Facility Agent and distributed in accordance with Clause 26 (*Payment mechanics*), without taking account of any Tax which would be imposed on the Facility Agent in relation to the receipt, recovery or distribution; and
- (c) the Recovering Finance Party shall, within (3) three Business Days of demand by the Facility Agent, pay to the Facility Agent an amount (the "**Sharing Payment**") equal to such receipt or recovery less any amount which the Facility Agent determines may be retained by the Recovering Finance Party as its share of any payment to be made, in accordance with Clause 26.5 (*Partial payments*).

25.2Redistribution of payments

The Facility Agent shall treat the Sharing Payment as if it had been paid by the Borrower and distribute it between the Finance Parties (other than the Recovering Finance Party) (the "**Sharing Finance Parties**") in accordance with Clause 26.5 (*Partial payments*) towards the obligations of the Borrower to the Sharing Finance Parties.

25.3Recovering Finance Party's rights

(a) On a distribution by the Facility Agent under Clause 25.2 (*Redistribution of payments*) of a payment received by a Recovering Finance Party from the Borrower, as between the Borrower and the Recovering Finance Party, an amount of the Recovered Amount equal to the Sharing Payment will be treated as not having been paid by the Borrower.

(b) If and to the extent that the Recovering Finance Party is not able to rely on its rights under paragraph (a) above, the Borrower shall be liable to the Recovering Finance Party for a debt equal to the Sharing Payment which is immediately due and payable.

25.4Reversal of redistribution

If any part of the Sharing Payment received or recovered by a Recovering Finance Party becomes repayable and is repaid by that Recovering Finance Party, then:

- (a) each Sharing Finance Party shall, upon request of the Facility Agent, pay to the Facility Agent for the account of that Recovering Finance Party an amount equal to the appropriate part of its share of the Sharing Payment (together with an amount as is necessary to reimburse that Recovering Finance Party for its proportion of any interest on the Sharing Payment which that Recovering Finance Party is required to pay) (the "**Redistributed Amount**"); and
- (b) as between the Borrower and each relevant Sharing Finance Party, an amount equal to the

relevant Redistributed amount will be treated as not having been paid by the Borrower.

#### 25.5 Exceptions

(a) This Clause 25 shall not apply to the extent that the Recovering Finance Party would not, after making any payment pursuant to this Clause, have a valid and enforceable claim against the Borrower.

(b) A Recovering Finance Party is not obliged to share with any other Finance Party any amount which the Recovering Finance Party has received or recovered as a result of taking legal or arbitration proceedings, if:

(i) it notified that other Finance Party of the legal or arbitration proceedings; and

(ii) that other Finance Party had an opportunity to participate in those legal or arbitration proceedings but did not do so as soon as reasonably practicable having received notice and did not take separate legal or arbitration proceedings.

#### 26. PAYMENT MECHANICS

##### 26.1 Payments to the Facility Agent

(a) On each date on which the Borrower or a Lender is required to make a payment under a Finance Document, the Borrower or Lender shall make the same available to the Facility Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Facility Agent as being customary at the time for settlement of transactions in the relevant currency in the place of payment.

(b) Payment shall be made to such account in the principal financial centre of the country of that currency with such bank as the Facility Agent specifies.

##### 26.2 Distributions by the Facility Agent

(a) Each payment received by the Facility Agent under the Finance Documents for another Party shall, subject to Clause 26.3 (*Distributions to the Borrower*) and Clause 26.4 (*Clawback*) be made available by the Facility Agent as soon as practicable after receipt to the Party entitled to receive payment in accordance with this Agreement (in the case of a Lender, for the account of its Facility Office), to such account as that Party may notify to the Facility Agent by not less than five (5) Business Days' notice with a bank in the principal financial centre of the country of that currency.

(b) The Facility Agent shall distribute payments received by it in relation to all or any part of a Loan to the Lender indicated in the records of the Facility Agent as being so entitled on that date provided that the Facility Agent is authorised to distribute payments to be made on the date on which any transfer becomes effective pursuant to Clause 21 (*Changes to the Parties*) to the Lender so entitled immediately before such transfer took place regardless of the period to which such sums relate.

##### 26.3 Distributions to the Borrower

The Facility Agent may (with the consent of the Borrower or in accordance with Clause 27 (*Set-off*)) apply any amount received by it for the Borrower in or towards payment (in the currency and funds of receipt) of any amount due from the Borrower under the Finance Documents or in or towards purchase of any amount of any currency to be so applied.

##### 26.4 Clawback

(a) Where a sum is to be paid to the Facility Agent under the Finance Documents for another Party, the Facility Agent is not obliged to pay that sum to that other Party (or to enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received

that sum.

(b) If the Facility Agent pays an amount to another Party and it proves to be the case that the Facility Agent had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid by the Facility Agent shall on demand refund the same to the Facility Agent together with interest on that amount from the date of payment to the date of receipt by the Facility Agent, calculated by the Facility Agent to reflect its cost of funds.

**26.5 Partial payments**

(a) If the Facility Agent receives a payment that is insufficient to discharge all the amounts then due and payable by the Borrower under the Finance Documents, the Facility Agent shall apply that payment towards the obligations of the Borrower under the Finance Documents in the following order:

- (i) **first**, in or towards payment pro rata of any unpaid fees, costs and expenses of any Administrative Party under the Finance Documents;
- (ii) **secondly**, in or towards payment pro rata of any accrued interest, fee (other than as provided in (i) above) or commission due but unpaid under this Agreement;
- (iii) **thirdly**, in or towards payment pro rata of any principal due but unpaid under this Agreement; and
- (iv) **fourthly**, in or towards payment pro rata of any other sum due but unpaid under the Finance Documents.

(b) The Facility Agent shall, if so directed by the Majority Lenders, vary the order set out in paragraphs (a)(ii) to (iv) above.

(c) Paragraphs (a) and (b) above will override any appropriation made by the Borrower.

**26.6 No set-off by the Borrower**

All payments to be made by the Borrower under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

**26.7 Business Days**

(a) Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).

(b) During any extension of the due date for payment of any principal or Unpaid Sum under paragraph (a) above, interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

**26.8 Currency of account**

- (a) Subject to paragraphs (b) and (c) below, KRW is the currency of account and payment for any sum due from the Borrower under any Finance Document.
- (b) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.
- (c) Any amount expressed to be payable in a currency other than KRW shall be paid in that other currency.

**27. SET-OFF**

A Finance Party may set off any matured obligation due from the Borrower under the Finance Documents (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to the Borrower, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

**28.APPLICATION OF PROCEEDS**

**28.1Order of Application**

All moneys from time to time received or recovered by the Security Agent in connection with the realisation or enforcement of all or any part of the Transaction Security shall be held by the Security Agent to apply them at such times as the Security Agent sees fit, to the extent permitted by applicable law, in the following order of priority:

- (a) in discharging any sums owing to the Security Agent;
- (b) in payment to the Facility Agent, on behalf of the Secured Parties, for application towards the discharge of all sums due and payable by the Borrower under any of the Finance Documents in accordance with Clause 26.5 (*Partial Payments*);
- (c) if Borrower is not under any further actual or contingent liability under any Finance Document, in payment to any person to whom the Security Agent is obliged to pay in priority to the Borrower; and
- (d) the balance, if any, in payment to the Borrower.

**28.2Investment of Proceeds**

Prior to the application of the proceeds of the Transaction Security in accordance with Clause 28.1 (*Order of Application*) the Security Agent may, at its discretion, hold all or part of those proceeds in an interest bearing suspense or impersonal account(s) in the name of the Security Agent or Facility Agent with any financial institution (including itself) and for so long as the Security Agent thinks fit (the interest being credited to the relevant account) pending the application from time to time of those monies at the Security Agent's discretion in accordance with the provisions of this Clause 28.

**28.3Currency Conversion**

- (a) For the purpose of or pending the discharge of any of the Secured Obligations the Security Agent may convert any moneys received or recovered by the Security Agent from one currency to another, at the spot rate at which the Security Agent is able to purchase the currency in which the Secured Obligations are due with the amount received.
- (b) The obligations of the Borrower to pay in the due currency shall only be satisfied to the extent of the amount of the due currency purchased after deducting the costs of conversion.

**28.4Permitted Deductions**

The Security Agent shall be entitled (a) to set aside by way of reserve amounts required to meet and (b) to make and pay, any deductions and withholdings (on account of Tax or otherwise) which it is or may be required by any applicable law to make from any distribution or payment made by it under this Agreement, and to pay all Tax which may be assessed against it in respect of any of the Charged Property, or as a consequence of performing its duties, or by virtue of its capacity as Security Agent under any of the Finance Documents or otherwise (except in connection with its remuneration for

performing its duties under this Agreement).

**28.5Discharge of Secured Obligations**

- (a) Any payment to be made in respect of the Secured Obligations by the Security Agent may be made to the Facility Agent on behalf of the Lenders and that payment shall be a good discharge to the extent of that payment, to the Security Agent.
- (b) The Security Agent is under no obligation to make payment to the Facility Agent in the same currency as that in which any Unpaid Sum is denominated.

**28.6Sums received by the Borrower**

If the Borrower receives any sum which, pursuant to any of the Finance Documents, should have been paid to the Security Agent, that sum shall promptly be paid to the Security Agent for application in accordance with this Clause 28.

**29.NOTICES**

**29.1Communications in writing**

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter.

**29.2Addresses**

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is that identified in Schedule 4 (*Contact Details*) or any substitute address, fax number or department or officer as the Party may notify to the Facility Agent (or the Facility Agent may notify to the other Parties, if a change is made by the Facility Agent) by not less than five (5) Business Days' notice.

**29.3Delivery**

(a)Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will be effective:

- (i)if by hand or courier, when signed for by or on behalf of the relevant recipient;
- (ii)if by way of fax, only when received in legible form; or
- (iii)if by way of letter, only when it has been left at the relevant address or five (5) Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address;

and, if a particular department or officer is specified as part of its address details provided under Clause 29.2 (*Addresses*), if addressed to that department or officer.

(b)Any communication or document to be made or delivered to the Facility Agent or to the Security Agent will be effective only when actually received by the Facility Agent or to the Security Agent and then only if it is expressly marked for the attention of the department or officer identified with the Facility Agent's or the Security Agent's signature below (or any substitute department or officer as the Facility Agent shall specify for this purpose).

(c)All notices from or to the Borrower shall be sent through the Facility Agent.

(d)All notices to a Lender from the Security Agent shall be sent through the Facility Agent.

**29.4Electronic communication**

(a) Any communication to be made between the Parties under or in connection with the Finance Documents may be made by electronic mail or other electronic means, if the relevant Party:

- (i)agree that, unless and until notified to the contrary, this is to be an accepted form of communication;
- (ii)notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and
- (iii)notify each other of any change to their address or any other such information supplied by them.

(b) Any electronic communication made between the Parties will be effective only when actually received in readable form and confirmation of receipt has been received by the sender.

**29.5English language**

(a)Any notice given under or in connection with any Finance Document must be in English or Korean.

(b)All other documents provided under or in connection with any Finance Document must be:

- (i)in English or Korean; or
- (ii)if not in English or Korean, and if so required by the Facility Agent, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

**30.CALCULATIONS AND CERTIFICATES**

**30.1Accounts**



In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by a Finance Party are *prima facie* evidence of the matters to which they relate.

**30.2Certificates and determinations**

Any certification or determination by a Finance Party of a rate or amount under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

**30.3Day count convention**

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 365 days.

**31.PARTIAL INVALIDITY**

If, at any time, any provision of the Finance Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

**32.REMEDIES AND WAIVERS**

No failure to exercise, nor any delay in exercising, on the part of any Secured Party, any right or remedy under the Finance Documents shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or

remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

33.AMENDMENTS AND WAIVERS

33.1Required consents

- (a) Subject to Clause 33.2 (*Exceptions*) any term of the Finance Documents may be amended or waived only with the consent of the Majority Lenders and the Borrower and any such amendment or waiver will be binding on all Parties.
- (b) The Facility Agent, or in respect of the Security Documents, the Security Agent may effect, on behalf of any Finance Party, any amendment or waiver permitted by this Clause 33.

33.2Exceptions

- (a) An amendment or waiver that has the effect of changing or which relates to:

- (i) the definition of "**Majority Lenders**" in Clause 1.1 (*Definitions*);
  - (ii) an extension to the date of payment of any amount under the Finance Documents;
  - (iii) a reduction in the Margin or a reduction in the amount of any payment of principal, interest, fees or commission payable;
  - (iv) an increase in the amount of any Commitment;
  - (v) an extension of the period of availability for utilisation of any Commitment;
  - (vi) any provision which expressly requires the consent of all the Lenders;
  - (vii) Clause 2.2 (*Finance Parties' Rights and Obligations*), Clause 21 (*Changes to the Parties*) or this Clause 33;
  - (viii) the nature or scope of the Charged Property or the manner in which the proceeds of enforcement of the Transaction Security are distributed; or
  - (ix) the release of any Transaction Security unless permitted under this Agreement,
- shall not be made without the prior consent of all the Lenders.

- (b) An amendment or waiver which relates to the rights or obligations of any Administrative Party may not be effected without the consent of such Administrative Party.

34.COUNTERPARTS

Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

35.GOVERNING LAW

This Agreement shall be governed by the laws of Korea in all respects, including matters of construction, validity and performance. The Parties agree that any legal action or proceeding arising out of or relating to this Agreement may be brought in the Seoul Central District Court and the Parties hereby irrevocably submit to the non-exclusive jurisdiction of such court.

**1. Borrower**

- (a) A copy of the articles of incorporation and commercial registry extract of the Borrower.
- (b) A copy of the resolution of the board of directors of the Borrower approving the Acquisition and the terms of, and transactions contemplated by, the Finance Documents to which it is a party and resolving that it execute the Finance Documents to which it is a party.
- (c) A copy of the resolution of the shareholders of the Borrower approving the Acquisition and the terms of, and transactions contemplated by, the Finance Documents to which it is a party.
- (d) Power of attorney executed by the representative director of the Borrower:
- (i) authorising a specified person or persons to execute the Finance Documents to which it is a party on the Borrower's behalf; and
  - (ii) authorising a specified person or persons, on the Borrower's behalf to sign and/or despatch all documents and notices (including, if relevant the Utilisation Request) to be signed and/or despatched by it under or in connection with the Finance Documents to which it is a party.
- (e) Seal impression certificate of the representative director of the Borrower and specimen signature of each person authorised by any power of attorney referred to in paragraph 1(d) above in respect of the Finance Documents.
- (f) A certificate of the representative director of the Borrower certifying that:
- (i) each copy document relating to it specified in paragraphs 1(a) to (e) and 4 of this Schedule 1 is true, correct and complete and, in the case of the resolution specified in paragraph 1(b) above, in full force and effect as at a date no earlier than the date of this Agreement;
  - (ii) the Borrower is solvent on the date of the certificate; and
  - (iii) the representations set out in Clause 17 (*Representations*) are true in all material respects.

**2. Sponsor**

- (a) A copy of the certificate of formation of the Sponsor.
- (b) A copy of the resolution of the sole member of the Sponsor approving the Acquisition and the terms of, and transactions contemplated by, the Finance Documents to which it is a party and resolving that it execute the Finance Documents to which it is a party.
- (c) Power of attorney executed by the officer of the Sponsor (if necessary):
- (i) authorising a specified person or persons to execute the Finance Documents to which it is a party on the Sponsor's behalf; and
  - (ii) authorising a specified person or persons, on the Sponsor's behalf to sign and/or despatch all documents and notices to be signed and/or despatched by it under or in connection with the Finance Documents to which it is a party.

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- (d) Specimen signature of each person authorised by any power of attorney referred to in paragraph 1(d) above in respect of the Finance Documents.
- (e) A certificate of the officer of the Sponsor certifying that:
- (i) each copy document relating to it specified in paragraphs 2(a) to (d) of this Schedule 1 is true, correct and complete and, in the case of the resolution specified in paragraph 2(b) above, in full force and effect as at a date no earlier than the date of this Agreement;
  - (ii) the Sponsor is solvent on the date of the certificate; and
  - (iii) the representations set out in the Security Documents to which it is a party are true in all material respects.

**3. Fee Letter**

An original copy of each Fee Letter, duly executed by the parties thereto.

#### 4. Security Documents

The Security Documents (other than the Borrower Share Kun-Pledge Agreement) duly executed by the Borrower or the Sponsor and the Security Agent (and if required, the Secured Parties), together with any documents required under or in connection therewith.

#### 5. Financial Information

A copy of the Original Financial Statements.

#### 6. Legal opinions

(a) A legal opinion from Lee & Ko, legal advisers to the Finance Parties as to Korean law in form and substance reasonably satisfactory to the Facility Agent.

(b) A legal opinion from Yulchon, legal advisers to the Borrower as to Korean law in form and substance reasonably satisfactory to the Facility Agent.

(c) With respect to the Security Documents to which the Sponsor is a party, a legal opinion from Pottery Anderson Corroon LLP, Delaware legal advisers to the Finance Parties in form and substance reasonably satisfactory to the Facility Agent.

#### 7. Other documents and evidence

(a) A copy of any other Authorisation or other document, opinion or assurance which the Facility Agent considers to be necessary or desirable (if it has notified the Borrower accordingly) in connection with the entry into and performance of the transactions contemplated by any Finance Document or for the validity and enforceability of any Finance Document.

(b) Evidence that the fees, costs and expenses then due from the Borrower pursuant to Clause 11 (*Fees*) and Clause 16 (*Costs and expenses*) have been paid or will be paid as provided in the Finance Documents (including the Fee Letters).

## UTILISATION REQUEST

From: Visteon Korea Holdings Corporation

To: Kookmin Bank as Facility Agent

Dated:

Dear Sirs

**Visteon Korea Holdings Corporation – KRW1,000,000,000,000 Bridge Facility Agreement dated July 4, 2012 (the "Facility Agreement")**

1. We refer to the Facility Agreement. This is the Utilisation Request. Terms defined in the Facility Agreement shall have the same meaning in this Utilisation Request.

2. We wish to borrow a Loan on the following terms:

Proposed Utilisation Date:	[     ] (or, if that is not a Business Day, the next Business Day)
Amount:	[     ] or, if less, the Available Facility
First Interest Period:	[     ]

3. We confirm that each condition specified in Clause 4.2 (*Further conditions precedent*) is satisfied on the date of this Utilisation Request.

4. [In case of the initial Utilisation,] We confirm that the fees, costs and expenses then due from the Borrower pursuant to Clause 11 (*Fees*) and Clause 16 (*Costs and expenses*) will be paid as provided in the Finance Documents (including the Fee Letters).

5. The proceeds of the Loan should be credited to [*account*].

6. This Utilisation Request is irrevocable.

Yours faithfully

.....  
 authorised signatory for  
 [Visteon Korea Holdings Corporation]

**SCHEDULE 3**  
**FORM OF TRANSFER CERTIFICATE**

To: Kookmin Bank as Facility Agent

From: [the Existing Lender] (the "**Existing Lender**") and  
[the New Lender] (the "**New Lender**")

Dated:

**[Visteon Korea Holdings Corporation] – KRW1,000,000,000,000 Bridge Facility Agreement dated July 4, 2012 (the "Facility Agreement")**

1. We refer to Clause 21.3 (*Procedure for transfer*) of the Facility Agreement. This is a Transfer Certificate. Terms used in the Facility Agreement shall have the same meaning in this Transfer Certificate.
2. The Existing Lender and the New Lender agree to the Existing Lender transferring to the New Lender accordance with Clause 21.3 (*Procedure for transfer*) all or part of the Existing Lender's Commitment specified in the Schedule and/or all or part of the Existing Lender's participation(s) in the Loan specified in the Schedule, in each case together with related rights and obligations.
3. The proposed Transfer Date is [        ].
4. The Facility Office and address, fax number and attention particulars for notices of the New Lender for the purposes of Clause 29.2 (*Addresses*) are set out in the Schedule.
5. The New Lender expressly acknowledges:
  - (a) the limitations on the Existing Lender's obligations set out in paragraphs (a) and (c) of Clause 21.2 (*Limitation of responsibility of Existing Lenders*); and
  - (b) that it is the responsibility of the New Lender to ascertain whether any document is required or any formality or other condition requires to be satisfied to effect or perfect the transfer contemplated by this Transfer Certificate or otherwise to enable the New Lender to enjoy the full benefit of each Finance Document.
6. The New Lender confirms that it is a "New Lender" within the meaning of Clause 21.1 (*Transfers by the Lenders*).
7. This Transfer Certificate may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Transfer Certificate.
8. This Transfer Certificate is governed by Korean law.
9. This Transfer Certificate has been entered into on the date stated at the beginning of this Transfer Certificate.

Commitment/rights and obligations to be transferred, and other particulars

Commitment/participation(s) transferred

Drawn Loan(s) participation(s) amount(s): [    ]  
Available Commitment amount: [    ]

Administration particulars:

New Lender's receiving account: [    ]  
Address: [    ]  
Telephone: [    ]  
Facsimile: [    ]  
Attn/Ref: [    ]

[the Existing Lender]

[the New Lender]

By:

By:

This Transfer Certificate is executed by the Facility Agent and the Transfer Date is confirmed as [    ].

Acknowledged and consented by:

**The Facility Agent** (on behalf of itself and all the other Finance Parties (other than the Existing Lender) and as attorney-in-fact of the Borrower)

By:

Date:

[FIXED-DATE STAMP]

## CONTACT DETAILS

Party	Address of Notices	Contact Person Information
Visteon Korea Holdings Corporation as Borrower	One Village Center, Van Buren Twp, MI 48430, USA	Name: Peter Ziparo Telephone #: Fax #: Email:
Kookmin Bank as Lender	9-1, 2-Ga, Namdaemun-Ro, Jung-Gu, Seoul, 100-703, Korea	Name: Dong R. Lee Telephone #: 822-2073-3284 Fax #: 822-2073-3226 Email: proto1@kbstar.co.kr
Kookmin Bank as Facility Agent	9-1, 2-Ga, Namdaemun-Ro, Jung-Gu, Seoul, 100-703, Korea	Name: Dong R. Lee Telephone #: 822-2073-3284 Fax #: 822-2073-3226 Email: proto1@kbstar.co.kr
Kookmin Bank as Security Agent	9-1, 2-Ga, Namdaemun-Ro, Jung-Gu, Seoul, 100-703, Korea	Name: Dong R. Lee Telephone #: 822-2073-3284 Fax #: 822-2073-3226 Email: proto1@kbstar.co.kr



TIMETABLE

Function	Day/Time
Delivery of a duly completed Utilisation Request (Clause 5.1 ( <i>Delivery of the Utilisation Request</i> ))	U – 3 9:30 a.m.
Facility Agent notifies the Lenders of the Loan in accordance with Clause 5.5 ( <i>Lenders' participations</i> )	U – 1 3:00 p.m.

“U” = date of Utilisation  
U - X = Business Days prior to the date of Utilisation

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*Borrower*

**VISTEON KOREA HOLDINGS CORPORATION**

By:

Bridge Facility Agreement

SIGNATURE PAGE

Lender

KOOKMIN BANK

By:

Bridge Facility Agreement

SIGNATURE PAGE

Facility Agent

KOOKMIN BANK

By:

Bridge Facility Agreement

SIGNATURE PAGE

Security Agent

KOOKMIN BANK

By:

Bridge Facility Agreement

SIGNATURE PAGE

## CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a)

## I, Donald J. Stebbins, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Visteon Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2012

/s/ Donald J. Stebbins  
Donald J. Stebbins  
Chairman and Chief Executive Officer  
(Principal Executive Officer)

## CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a)

I, Martin E. Welch III, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Visteon Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2012

/s/ Martin E. Welch III  
 Martin E. Welch III  
 Executive Vice President and  
 Chief Financial Officer  
 (Principal Financial Officer)



CERTIFICATION PURSUANT TO 18 U.S.C. SS.1350  
AND EXCHANGE ACT RULE 13a-14(b)

Solely for the purposes of complying with 18 U.S.C. ss.1350 and Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), I, the undersigned Chairman and Chief Executive Officer of Visteon Corporation (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2012 (the "Report") fully complies with the requirements of Section 13(a) of the Exchange Act and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Donald J. Stebbins  
Donald J. Stebbins

August 2, 2012

CERTIFICATION PURSUANT TO 18 U.S.C. SS.1350  
AND EXCHANGE ACT RULE 13a-14(b)

Solely for the purposes of complying with 18 U.S.C. ss.1350 and Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), I, the undersigned Executive Vice President and Chief Financial Officer of Visteon Corporation (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2012 (the "Report") fully complies with the requirements of Section 13(a) of the Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Martin E. Welch III  
Martin E. Welch III

August 2, 2012