FORM 10-K

LEAR CORP - LEA

Filed: March 09, 2006 (period: December 31, 2005)

Annual report which provides a comprehensive overview of the company for the past year

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

Form 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2005.

☐ **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: 1-11311

LEAR CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**13-3386776**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
21557 Telegraph Road, Southfield, MI	**48034**
(Address of principal executive offices)	*(Zip code)*

Registrant's telephone number, including area code:
(248) 447-1500

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Act 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Act.
Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

As of July 2, 2005, the aggregate market value of the registrant's Common Stock, par value $0.01 per share, held by non-affiliates of the registrant was $2,435,696,527. The closing price of the Common Stock on July 2, 2005, as reported on the New York Stock Exchange, was $36.40 per share.

As of February 28, 2006, the number of shares outstanding of the registrant's Common Stock was 67,189,314 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Certain sections of the registrant's Notice of Annual Meeting of Stockholders and Proxy Statement for its Annual Meeting of Stockholders to be held on May 11, 2006, as described in the Cross-Reference Sheet and Table of Contents included herewith, are incorporated by reference into Part III of this Report.

LEAR CORPORATION AND SUBSIDIARIES

CROSS REFERENCE SHEET AND TABLE OF CONTENTS

(1) Certain information is incorporated by reference, as indicated below, to the registrant's Notice of Annual Meeting of Stockholders and Proxy Statement for its Annual Meeting of Stockholders to be held on May 11, 2006 (the "Proxy Statement").

(2) A portion of the information required is incorporated by reference to the Proxy Statement sections entitled "Election of Directors" and "Directors and Beneficial Ownership."

(3) Incorporated by reference to Proxy Statement sections entitled "Executive Compensation," "Compensation Committee Interlocks and Insider Participation," "Compensation Committee Report" and "Performance Graph."

(4) Incorporated by reference to Proxy Statement section entitled "Directors and Beneficial Ownership — Security Ownership of Certain Beneficial Owners and Management."

(5) Incorporated by reference to Proxy Statement section entitled "Certain Transactions."

(6) Incorporated by reference to Proxy Statement section entitled "Fees of Independent Accountants."

PART I

ITEM 1 — *BUSINESS*

In this Report, when we use the terms the "Company," "Lear," "we," "us" and "our," unless otherwise indicated or the context otherwise requires, we are referring to Lear Corporation and its consolidated subsidiaries. A substantial portion of the Company's operations are conducted through subsidiaries controlled by Lear Corporation. The Company is also a party to various joint venture arrangements. Certain disclosures included in this Report constitute forward-looking statements that are subject to risks and uncertainties. See Item 1A, "Risk Factors," and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Forward-Looking Statements."

BUSINESS OF THE COMPANY

General

We were incorporated in Delaware in 1987 and are one of the world's largest automotive interior systems suppliers based on net sales. Our net sales have grown from $14.1 billion for the year ended December 31, 2000, to $17.1 billion for the year ended December 31, 2005. We supply every major automotive manufacturer in the world, including General Motors, Ford, DaimlerChrysler, BMW, PSA, Volkswagen, Fiat, Renault-Nissan, Hyundai, Mazda, Subaru and Toyota.

We supply automotive manufacturers with complete automotive seat systems, electrical distribution systems and various electronic products. We also supply automotive interior components and systems, including instrument panels and cockpit systems, headliners and overhead systems, door panels and flooring and acoustic systems. As a result of these capabilities, we can offer our customers a full range of automotive interior products, with any level of integration required. In light of recent customer and market trends, we have been evaluating strategic alternatives with respect to our interior segment.

We are focused on delivering high-quality automotive interior systems and components to our customers on a global basis. In order to realize substantial cost savings and improved product quality and consistency, automotive manufacturers are requiring their suppliers to manufacture products in multiple geographic markets. In recent years, we have expanded our operations significantly in Europe, Central America, South Africa and Asia. As a result of our efforts to expand our worldwide operations, our net sales outside of North America have grown from $4.6 billion in 2000 to $7.9 billion in 2005. See Note 11, "Segment Reporting," to the consolidated financial statements included in this Report.

Strategy

Our principal objective is to strengthen and expand our position as a leading automotive supplier to the global automotive industry by focusing on the needs of our customers. Our customers face continuing competitive pressures to improve quality and functionality at a lower cost and to reduce time to market and capital needs. These trends have resulted in automotive manufacturers seeking fewer independent suppliers to provide automotive interior systems and components. We believe that the criteria for selection of automotive interior systems suppliers are cost, quality, technology, delivery and service. A worldwide presence is necessary to satisfy these criteria.

Specific elements of our strategy include:

- Enhance Strong Relationships with our Customers by Focusing on Customer Service, Quality and Cost. We seek to have our customers view us as a partner. We believe that strong relationships with our customers allow us to identify business opportunities and anticipate the needs of our customers in the early stages of vehicle design. Working closely with our customers in the early stages of designing and engineering automotive interior systems gives us a competitive advantage in securing new business. The keys to enhancing customer relationships are service and quality. We work to maintain an excellent reputation with our customers for timely delivery and customer service and for providing world-class quality at competitive prices. According to the 2005 J.D. Power and Associates Seat Quality Report™, we rank as the highestquality major seat manufacturer for the fifth consecutive year and have achieved a 35% improvement in "Things Gone Wrong" since 1999. In recognition of our efforts, many of our facilities have won awards from automotive manufacturers. We intend to maintain and improve the quality of our products and services through our ongoing "Quality First" initiatives.

- Expand our Business in Asian Markets and with Asian Automotive Manufacturers Worldwide. We believe that it is important to have a manufacturing footprint that aligns with our customers' global presence. Our strategy includes expanding our business in Asian markets and with Asian automotive manufacturers worldwide:
  - *Expansion in Asian Markets*. The Asian markets present growth opportunities, as all major global automotive manufacturers expand production in this region to meet increasing demand. In particular, the Chinese automotive market is expanding rapidly, with an estimated 5.0 million units produced in 2005 according to J.D. Power and Associates. We seek to partner with automotive manufacturers in China through joint venture arrangements, and we are well-positioned to take advantage of China's emerging growth. We currently have twelve joint ventures in China, where the majority of our production is for the local market. We are focused on seating, electrical distribution systems, door panels and flooring and acoustics. In 2005, our joint ventures in China were awarded seating business with Chang'an Ford, the joint venture between Ford Motor Company and Chang'an Automobile Co. Ltd., seating business with Beijing Hyundai Motor Co. and seating business with BMW Brilliance Automotive Co. In addition, Lear has established two wholly-owned subsidiaries in China to supply seats to the joint venture between First Automobile Works Group and Volkswagen and the joint venture between Shanghai Automotive Industry Corp. and General Motors Corporation. We also see opportunities for growth with customers in Korea, India and elsewhere in Asia. In 2005, our joint ventures were awarded seating business with General Motors/Daewoo in Korea and with Nissan in China, India and Thailand. Finally, we have significantly expanded our manufacturing and engineering operations in India and the Philippines and have maintained our strategic sales and engineering offices in Japan.
  - *Asian Automotive Manufacturers*. Asian automotive manufacturers are continuing to invest and expand their manufacturing operations in Asia (especially China), North America and Europe. In 2005, we expanded our business with Asian automotive manufacturers in the United States through awards and/or launches of seating and electrical business with Hyundai, seating and flooring business with Nissan and interiors business with Toyota. We have also entered into a strategic alliance to support future seating business with Nissan in North America, Asia and Europe. We currently have twenty-four strategic joint ventures based in the Americas and Asia serving our Asian customers, including Chang'an Ford, Dongfeng Peugeot Citroen Automobile, Honda, Hyundai, Jiangling Motor Co., Nissan, Shanghai Automotive Industry Corp., Shanghai GM and Toyota. As a result of our strong customer relationships, strategic alliances and full-service capabilities, we are well-positioned to expand our business with Asian automotive manufacturers, both in Asia and elsewhere.
- Improve European Business Structure and Expand European Market Share of our Seating and Electronic and Electrical Segments. In Europe, the automotive market remains relatively fragmented with significant overcapacity, making Europe a difficult market for automotive manufacturers and suppliers alike. We are continuing to improve our financial results in Europe by focusing significant new product initiatives on seating and electronics, where there are opportunities for significant scale and we have a strong competitive position. We have also improved our overall business structure in Europe by consolidating administrative functions and reducing manufacturing costs through the relocation and expansion of component production in countries with lower labor costs.
- Leverage Electronic Capabilities and Invest in Product Technology. Consumers are demanding more in their automotive interiors, focusing on convenience, communication and safety, and automotive manufacturers view the vehicle interior as a major selling point to their customers. Because electronic products and electrical distribution systems are an important part of automotive interior systems, we seek to take advantage of our capabilities in these areas to develop new products that respond to customer and consumer demands. We will also continue to make targeted investments in technology to support our existing products,

as well as our new product development efforts. The focus of our research and development efforts is to identify new interior features that make vehicles safer, more comfortable and more attractive to consumers. To further these efforts, we conduct extensive analysis and testing of consumer responses to automotive interior styling and innovations. We also have state-of-the-art acoustics testing and instrumentation and data analysis capabilities. We maintain six advanced technology centers and several customer-focused product engineering centers where we design and develop new products and conduct extensive product testing. In addition, our advanced technology center in Southfield, Michigan, demonstrates our ability to integrate engineering, research, design, development and validation testing capabilities at one location.

- Maintain an Efficient Cost Structure. An efficient cost structure is necessary to withstand fluctuations in industry demand over time, as well as changing competitive and macroeconomic conditions. Our relatively variable cost structure is maintained, in part, through ongoing productivity initiatives throughout the organization, as well as initiatives to promote and enhance the sharing of technology, engineering, purchasing and capital investments across customer platforms. In this regard, we are working to leverage our scale and interior expertise to develop common vehicle architecture to reduce the complexity and variety of substructures that are not seen by consumers. One example is the Lear Flexible Seat Architecture, a modular system that incorporates many desired comfort and required safety features utilizing validated common components that can be packaged in multiple seat systems. The advantage is reduced design, engineering and development costs to deliver an enhanced end product with improved quality and craftsmanship. We also have a global sourcing strategy designed to increase our competitiveness from both a manufacturing and sourcing standpoint. More than eighty of our facilities are currently located in low-cost countries, including Mexico, Hungary, Poland, China, South Africa, the Philippines, Honduras, the Czech Republic, Slovakia, Turkey, Romania, Morocco and Tunisia. We have also joined our customers to proactively reduce costs and eliminate waste by establishing Cost Technology Optimization centers in the United States, Germany, Spain, the Philippines and Brazil. Our Cost Technology Optimization centers provide a venue where our engineers can work with our customers to identify and address cost discrepancies among similar products and inconsistencies in features among vehicles in similar segments.

- Product-Line Focus. In response to the recent industry trend away from total interior integration, we are taking a more product-focused approach to managing our business. In our seating and electronic and electrical segments, we are seeking growth by penetrating new markets and new customers, as well as through selective vertical integration. In our electronic and electrical segment, our acquisition of terminals and connectors capabilities in Europe allows us to provide electrical distribution systems at lower costs to our customers. In our seating segment, we are focused on expanding our capabilities in structural components and selected trim products.

  With respect to our interior segment, we are actively implementing restructuring actions to improve our cost structure and capacity utilization while simultaneously evaluating strategic alternatives. In this regard, we entered into a framework agreement relating to a proposed joint venture relationship with WL Ross & Co. LLC and Franklin Mutual Advisers, LLC on October 17, 2005. We would hold a non-controlling interest in the new joint venture that would explore acquisition opportunities in the automotive interior components sector, including a possible acquisition of all or a portion of Collins & Aikman Corporation. The proposed joint venture would involve all or a portion of our interior segment, but not our seating or electronic and electrical segments. Establishment of the proposed joint venture is subject to the negotiation and execution of definitive agreements and other conditions. In the event that we fail to achieve resolution on various matters in such negotiations, we will continue to explore other strategic alternatives with respect to this segment. No assurances can be given that the proposed joint venture will be completed on the terms contemplated or at all.

Products

We conduct our business in three product operating segments: seating; interior; and electronic and electrical. The seating segment includes seat systems and the components thereof. The interior segment includes instrument panels and cockpit systems, headliners and overhead systems, door panels, flooring and acoustic systems and other interior products. The electronic and electrical segment includes electronic products and electrical distribution systems, primarily wire harnesses and junction boxes; interior control and entertainment systems; and wireless systems. Net sales by product segment as a percentage of total net sales is shown below:

For the Year Ended December 31,	2005	2004	2003
Seating	65%	67%	68%
Interior	18	17	18
Electronic and electrical	17	16	14

For further information related to our reportable operating segments, see Note 11, "Segment Reporting," to the consolidated financial statements included in this Report.

- *Seating.* The seating segment consists of the manufacture, assembly and supply of vehicle seating requirements. Seat systems typically represent 30% to 40% of the total cost of an automotive interior. We produce seat systems for automobiles and light trucks that are fully assembled and ready for installation. In most cases, seat systems are designed and engineered for specific vehicle models or platforms. We have recently developed Lear Flexible Seat Architecture, whereby we can assist our customers in achieving a faster time-to-market by building a program-specific seat incorporating the latest performance requirements and safety technology in a shorter period of time. Seat systems are designed to achieve maximum passenger comfort by adding a wide range of manual and power features, such as lumbar supports, cushion and back bolsters and leg supports.

  As a result of our strong product design and product technology, we are a leader in designing seats with enhanced safety and convenience features. For example, our ProTec™ Plus Self-Aligning Head Restraint is an advancement in seat passive safety features. By integrating the head restraint with the lumbar support, the occupant's head is provided support earlier and for a longer period of time in a rear-impact collision, potentially reducing the risk of injury. In addition, we have developed OccuSense®, a seat technology which detects the size and weight of an occupant to control airbag deployment. We also supply a patented integrated restraint seat system that uses an ultra high-strength steel tower and a split-frame design to improve occupant comfort and convenience, as well as a high-performance climate system for seat cooling and moisture removal. To address the increasing focus on craftsmanship, we have developed concave seat contours that eliminate wrinkles and provide improved styling. We are also satisfying the growing customer demand for reconfigurable seats with our thin profile rear seat and our stadium slide seat system. For example, General Motors full-size sport utility vehicles and light trucks, as well as the Ford Freestyle, Cadillac SRX, and Dodge Durango, use our reconfigurable seating technology, and General Motors full-size sport utility vehicles, as well as the Ford Explorer and Dodge Durango, use our thin profile seating technology for their third row seats.

- *Interior.* The interior segment consists of the manufacture, assembly and supply of interior systems and components. Interior products are designed to provide a harmonious and comfortable interior for vehicle occupants, as well as a variety of functional and safety features. Set forth below is a description of our principal interior products:

  - *Instrument Panels and Cockpit Systems.* The instrument panel is a complex system of coverings and foam, as well as plastic and metal parts designed to house various components and to act as a safety device for the vehicle occupant. The cockpit system consists of, among other things, the instrument panel trim/pad, structural subsystem, electrical distribution system, climate control, driver control pedals, steering controls and driver and passenger safety systems. Specific components of the cockpit system include the instrument cluster/gauges, cross car structure, electronic and electrical components, wire harness, audio system, heating, ventilation and air conditioning module, air distribution ducts, air vents, steering column and wheel and glove compartment assemblies. Airbag technologies also continue to be an important component of cockpit systems. As a result of our research and development efforts, we have introduced cost-effective, integrated, seamless airbag covers, which provide greater styling flexibility for the automotive manufacturer. We believe that future trends in instrument panels and cockpit systems will focus on safety-related features. We have also developed Spray PUR™, a seamless polyurethane coating for instrument panels, which eliminates visual seams. This process is currently being used on several vehicle models, including the 2006 Cadillac DTS and Buick Lucerne.

- *Headliners and Overhead Systems.* Overhead systems consist of a headliner, lighting, visors, consoles, wiring and electronics, as well as all other products located in the interior of the vehicle roof. Headliners consist of a substrate, as well as a finished interior layer made of a variety of fabrics and materials. While headliners are an important contributor to interior aesthetics, they also provide insulation from road noise and can serve as carriers for a variety of other components, such as visors, overhead consoles, grab handles, coat hooks, electrical wiring, speakers, lighting and other electronic and electrical products. As the amount of electronic and electrical content available in vehicles has increased, headliners have emerged as an important carrier of technology since electronic features ranging from garage door openers to lighting systems are often optimally situated in the headliner. In addition, headliners provide an important safety function by mitigating the effects of head impact. We have developed a system that molds the protective foam directly onto the back of the headliner. This system will be used on several vehicle models that are being launched in 2006.

- *Door Panels.* Door panels consist of several component parts, which are attached to a substrate by various methods. Specific components include vinyl or cloth-covered appliqués, armrests, radio speaker grilles, map pocket compartments, carpet and sound-reducing insulation. In addition, door systems often incorporate electronic products and electrical distribution systems, including lock and latch, window glass, window regulators and audio systems, as well as wire harnesses for the control of power seats, windows, mirrors and door locks. We have recently introduced a two-shot molding process that allows a door panel with multiple materials to be produced in a single injection molding machine. This technology, which results in improved craftsmanship and lower costs, will be used on several vehicle models that are being launched in 2006.

- *Flooring and Acoustic Systems.* We have an extensive and comprehensive portfolio of SonoTec® acoustic products, including flooring systems and dash insulators. These acoustic products provide noise, vibration and harshness resistance. Carpet flooring systems generally consist of tufted or non-woven carpet with a thermoplastic backcoating, which when heated, allows the carpet to be fitted precisely to the interior or trunk compartment of the vehicle. Non-carpeted flooring systems, used primarily in commercial and fleet vehicles, offer improved wear and maintenance characteristics. The dash insulator, mounted onto the firewall, separates the passenger compartment from the engine compartment and is the primary component for preventing engine noise from entering the passenger compartment.

- *Electronic and Electrical.* The migration from conventional electrical distribution systems to electronic products and electrical distribution systems is facilitating the integration of wiring and electronic products within the overall electrical architecture of a vehicle. This migration can reduce the overall system cost and weight and improve reliability and packaging by optimizing the overall system architecture and eliminating a portion of the terminals, connectors and wires normally required for a conventional electrical distribution system. Our umbrella technology, Intertronics®, reflects our ability to integrate electronic products with automotive interior systems. This technology is already having an impact on a number of new and next generation products. For example, our integrated seat adjuster module has two dozen fewer cut circuits and five fewer connectors, weighs a half of a pound less and costs twenty percent less than a traditional separated electronic control unit and seat wiring system. In addition, our smart junction box expands the traditional junction box functionality by utilizing printed circuit board technologies.

  Our electronic and electrical products can be grouped into three categories:

  - *Electrical Distribution Systems.* Wire harness assemblies are a collection of terminals, connectors and wires that connect all of the various electronic/electrical devices in the vehicle to each other and/or to a power source. Terminals and connectors are components of wire harnesses and other electronic/electrical devices that connect wire harnesses and electronic/electrical devices. Fuse boxes are centrally located boxes in the vehicle that contain fuses and/or relays for circuit and device protection, as well as power distribution. Junction boxes serve as a connection point for multiple wire harnesses. They may also contain fuses and relays for circuit and device protection. Smart junction boxes are junction boxes with integrated electronic functions, which eliminate interconnections and increase overall system reliability. Certain vehicles may have two or three smart junction boxes linked as a multiplexed buss line.

- *Interior Control and Entertainment Systems.* The instrument panel center console module provides a control panel for the entertainment system, accessory switch functions, heating, ventilation and air conditioning. The integrated seat adjuster module combines seat adjustment, power lumbar support, memory function and seat heating into one package. The integrated door module consolidates the controls for window lift, door lock, power mirror and seat heating and ventilation. Our Mechatronic™ lighting control module integrates electronic control logic and diagnostics with the headlamp switch. Entertainment products include sound systems, television modules and the floor-, seat- or center console-mounted MediaConsole with a flip-up screen that provides DVD and video game viewing for back-seat passengers.

- *Wireless systems.* Wireless products send and receive signals using radio frequency technology. Our wireless systems include passive entry systems, dual range/dual function remote keyless entry systems and tire pressure monitoring systems. Passive entry systems allow the vehicle operator to unlock the door without using a key or physically activating a remote keyless fob. Dual range/dual function remote keyless entry systems allow a single transmitter to perform multiple functions. For example, our Car2U™ remote keyless entry system can control and display the status of the vehicle, such as starting the engine, locking and unlocking the doors, opening the trunk and setting the cabin temperature. In addition, dual range/dual function remote keyless entry systems combine remote keyless operations with vehicle immobilizer capability. Our tire pressure monitoring system, known as the Lear Intellitire® Tire Pressure Monitoring System, alerts drivers when a tire has low pressure. We have received production awards for Intellitire® from Ford for many of their North American vehicles and from Hyundai for several models beginning in 2005. Automotive manufacturers are required to have tire pressure monitoring systems on a portion of new vehicles sold in the United States beginning with model year 2006 and on all new vehicles sold in the United States by model year 2008.

Manufacturing

A description of the manufacturing processes for each of our operating segments is set forth below.

- *Seating.* Our seating facilities generally use just-in-time manufacturing techniques, and products are delivered to the automotive manufacturers on a just-in-time basis. These facilities are typically located near our customers' manufacturing and assembly sites. Our seating facilities utilize a variety of methods whereby foam and fabric are affixed to an underlying seat frame. Raw materials used in our seat systems, including steel, aluminum and foam chemicals, are generally available and obtained from multiple suppliers under various types of supply agreements. Leather, fabric and certain components are also purchased from multiple suppliers under various types of supply agreements. The majority of our steel purchases are comprised of engineered parts that are integrated into a seat system, such as seat frames, mechanisms and mechanical components. Therefore, our exposure to changes in steel prices is primarily indirect, through the supply base. We are increasingly using long-term, fixed-price supply agreements to purchase key components. We generally retain the right to terminate these agreements if our supplier does not remain competitive in terms of cost, quality, delivery, technology or customer support.

- *Interior.* Our interior systems process capabilities include injection molding, low-pressure injection molding, blow molding, compression molding, rotational molding, urethane foaming and vacuum forming, as well as various trimming and finishing methods. Raw materials, including resin and chemical products, and finished components are assembled into end products and are obtained from multiple suppliers, under supply agreements which typically last for up to one year. In addition, we produce carpet at one North American plant.

- *Electronic and Electrical.* Electrical distribution systems are networks of wiring and associated control devices that route electrical power and signals throughout the vehicle. Wire harness assemblies consist of raw, coiled wire, which is automatically cut to length and terminated. Individual circuits are assembled together on a jig or table, inserted into connectors and wrapped or taped to form wire harness assemblies. All materials are purchased from suppliers, with the exception of a portion of the terminals and connectors that are produced internally. Certain materials are available from a limited number of suppliers. Supply agreements typically last for up to one year. The assembly process is labor intensive, and as a result, production is generally performed in low-cost labor sites in Mexico, Honduras, the Philippines, Eastern Europe and Northern Africa.

Some of the principal components attached to the wire harness assemblies that we manufacture include junction boxes and electronic control modules. Junction boxes are manufactured in both North America and Europe with a proprietary, capital-intensive assembly process, using printed circuit boards, a portion of which are purchased from third-party suppliers. Proprietary processes have been developed to improve the function of these junction boxes in harsh environments, including high temperatures and humidity. Electronic control modules are assembled using high-speed surface mount placement equipment in both North America and Europe.

While we internally manufacture many of the components that are described above, a substantial portion of these components are furnished by independent, tier II automotive suppliers and other vendors throughout the world. In certain instances, it would be difficult and expensive for us to change suppliers of products and services that are critical to our business. With the recent decline in the automotive production of our key customers and substantial and continuing pressures to reduce costs, certain of our suppliers have experienced, or may experience, financial difficulties. We seek to carefully manage our supplier relationships to minimize any significant disruptions of our operations. However, adverse developments affecting one or more of our major suppliers, including certain sole-source suppliers, could negatively impact our operating results. See Item 1A, "Risk Factors — Adverse developments affecting one or more of our major suppliers could harm our profitability."

Customers

We serve the worldwide automotive and light truck market, which produced over 63 million vehicles in 2005. We have automotive interior content on over 300 vehicle nameplates worldwide, and our major automotive manufacturing customers (including customers of our non-consolidated joint ventures) currently include:

- BMW
- DaimlerChrysler
- Dongfeng
- Fiat
- First Autoworks
- Ford
- GAZ
- General Motors
- Honda
- Hyundai
- Isuzu
- Mahindra & Mahindra
- Mazda
- Mitsubishi
- Porsche
- PSA
- Renault-Nissan
- Subaru
- Suzuki
- Toyota
- Volkswagen

During the year ended December 31, 2005, General Motors and Ford, two of the largest automotive and light truck manufacturers in the world, together accounted for approximately 44% of our net sales, excluding net sales to Saab, Volvo, Jaguar and Land Rover, which are affiliates of General Motors or Ford. Inclusive of their respective affiliates, General Motors and Ford accounted for approximately 28% and 25%, respectively, of our net sales in 2005. In addition, DaimlerChrysler accounted for approximately 11% of our net sales in 2005. For further information related to our customers and domestic and foreign sales and operations, see Note 11, "Segment Reporting," to the consolidated financial statements included in this Report.

We receive blanket purchase orders from our customers. These purchase orders generally provide for the supply of a customer's annual requirements for a particular vehicle model, rather than for the purchase of a specified quantity of products. Although purchase orders may be terminated at any time by our customers, such terminations have been minimal and have not had a material impact on our operating results. Our primary risks are that an automotive manufacturer will produce fewer units of a vehicle model than anticipated or that an automotive manufacturer will not award us a replacement program following the life of a vehicle model. In order to reduce our reliance on any one vehicle model, we produce automotive interior systems and components for a broad cross-section of both new and established models. However, larger passenger cars and light trucks typically have more interior content and therefore, tend to have a more significant impact on our operating performance. Our net sales for the year ended December 31, 2005, were comprised of the following vehicle categories: 54% cars, including 23% mid-size, 15% compact, 14% luxury/sport and 2% full-size, and 46% light truck, including 25% sport utility and 21% pickup and other light truck.

Our agreements with our major customers generally provide for an annual productivity cost reduction. Historically, cost reductions through product design changes, increased productivity and similar programs with our suppliers have generally offset these customer-imposed productivity cost reduction requirements. However, in the latter part of 2004 and in 2005, unprecedented increases in certain raw material and commodity costs (principally steel, resins and other oil-based commodities), as well as increases in energy costs had a material adverse impact on our operating results. While we were able to offset a portion of the adverse impact through aggressive cost reduction actions, relatively high raw material, energy and commodity costs are expected to continue, and no assurances can be given that we will be able to achieve such customer cost reduction targets in the future.

Technology

We have the ability to integrate the engineering, research, design, development and validation testing of all automotive interior systems. Advanced technology development is conducted at our six advanced technology centers and at our product engineering centers worldwide. At these centers, we engineer our products to comply with applicable safety standards, meet quality and durability standards, respond to environmental conditions and conform to customer and consumer requirements. Our research and design studio located in Southfield, Michigan, develops and integrates new concepts and is our central location for consumer research, benchmarking, craftsmanship and industrial design activity.

We also have state-of-the-art acoustic testing and instrumentation and data analysis capabilities. We own an industry-leading validation test center featuring acoustic and sound quality testing, including a dual-surface, four-wheel chassis dynamometer acoustical chamber and reverberant sound room, capable of precision acoustic testing of front, rear and four-wheel drive vehicles. Together with computer-controlled data acquisition and analysis capabilities, the reverberant sound room provides precisely controlled laboratory conditions for sophisticated interior and exterior noise, vibration and harshness testing of parts, materials and systems, including powertrain, exhaust and suspension components. We also maintain electromagnetic compatibility labs at several of our electronic and electrical facilities, where we develop and test electronic products for compliance with governmental requirements and customer specifications.

We have developed a number of designs for innovative interior features focused on increasing value to our customers. Our umbrella technology, Intertronics®, reflects our ability to integrate electronic products with automotive interior systems. Intertronics products and technologies are grouped into three categories: integrated electronic control units; interior control and entertainment systems, which include sound systems and family entertainment systems, as well as switches; and wireless systems, which include remote keyless entry. In addition, we incorporate many convenience, comfort and safety features into our interior designs, including advanced whiplash concepts, lifestyle vehicle interior storage systems, overhead integrated modules, integrated restraint seat systems (3-point and 4-point belt systems integrated into seats), side impact airbags, integrated child restraint seats and integrated instrument panel airbag systems. We also invest in our computer-aided engineering design and computer-aided manufacturing systems. Recent enhancements to these systems include advanced acoustic modeling and analysis capabilities and the enhancement of our research and design website. Our research and design website is a tool used for global customer telecommunications, technology communications, collaboration and direct exchange of digital assets.

We have created certain brand identities, which identify products for our customers. The ProTec™ brand products are optimized for interior safety; the SonoTec® brand products are optimized for interior acoustics; and the EnviroTec™ brand products are environmentally friendly.

We hold many patents and patent applications pending worldwide. While we believe that our patent portfolio is a valuable asset, no individual patent or group of patents is critical to the success of our business. We also license selected technologies to automotive manufacturers and to other automotive suppliers. We continually strive to identify and implement new technologies for use in the design and development of our products.

We have numerous registered trademarks in the United States and in many foreign countries. The most important of these marks include “LEAR CORPORATION” (including a stylized version thereof) and “LEAR.” These marks are widely used in connection with our product lines and services. The trademarks and service marks

"ADVANCE RELENTLESSLY," "CAR2U," "INTELLITIRE," "PROTEC," "PROTEC PLUS" and others are used in connection with certain of our product lines and services.

We have dedicated, and will continue to dedicate, resources to research and development. Research and development costs incurred in connection with the development of new products and manufacturing methods, to the extent not recoverable from our customers, are charged to selling, general and administrative expenses as incurred. These costs amounted to approximately $174 million, $198 million and $171 million for the years ended December 31, 2005, 2004 and 2003, respectively.

Joint Ventures and Minority Interests

We form joint ventures in order to gain entry into new markets, facilitate the exchange of technical information, expand our product offerings and broaden our customer base. In particular, we believe that certain joint ventures have provided us, and will continue to provide us, with the opportunity to expand our business relationships with Asian automotive manufacturers. In 2005, our joint ventures continued to be awarded new business with Asian automotive manufacturers both in Asia (including seating business with Chang'an Ford, Beijing Hyundai Motor Co. and BMW Brilliance Automotive Co. in China, seating business with General Motors/Daewoo in Korea and seating business with Nissan in China, India and Thailand) and elsewhere (including seating and flooring business with Nissan in the United States and interior business with Toyota in the United States). In addition, our joint ventures continue to produce flooring and carpet products for Honda in the United States. We currently have thirty-three strategic joint ventures located in twelve countries. Of these joint ventures, eighteen are consolidated and fifteen are accounted for using the equity method of accounting; sixteen operate in Asia, fourteen operate in North America (including eight that are dedicated to serving Asian automotive manufacturers) and three operate in Europe and Africa. Net sales of our consolidated joint ventures accounted for less than 5% of our consolidated net sales for the year ended December 31, 2005. As of December 31, 2005, our investments in non-consolidated joint ventures totaled $29 million and support nineteen customers. For further information related to our joint ventures, see Note 5, "Investments in Affiliates and Other Related Party Transactions," to the consolidated financial statements included in this Report.

Competition

Within each of our operating segments, we compete with a variety of independent suppliers and automotive manufacturer in-house operations, primarily on the basis of cost, quality, technology, delivery and service. A summary of our primary independent competitors is set forth below.

- *Seating.* We are one of two primary independent suppliers in the outsourced North American seat systems market. Our primary independent competitor in this market is Johnson Controls. Intier Automotive (the automotive interior segment of Magna International Inc.) and Faurecia also have a presence in this market. Our major independent competitors are Johnson Controls and Faurecia in Europe and Johnson Controls, TS Tech Co., Ltd. and Toyota Boshoku in Asia.
- *Interior.* We are one of three primary independent suppliers in the outsourced North American flooring and acoustic systems market, as well as one of the largest global suppliers of door panels and headliners and overhead systems. Our primary independent competitors in the flooring and acoustic systems market are Collins & Aikman and Rieter Automotive. Our major independent competitors in the remaining interior markets include Johnson Controls, Intier, Faurecia, Collins & Aikman, Visteon, Delphi and a large number of smaller operations.
- *Electronic and Electrical.* We are one of the leading independent suppliers of automotive electrical distribution systems in North America and Europe. Our major competitors in this market include Delphi, Yazaki, Sumitomo, Alcoa-Fujikura and Valeo. However, the automotive electronic products industry remains highly fragmented. Participants in this segment include Alps, Bosch, Cherry, Delphi, Denso, Kostal, Methode, Niles, Omron, Siemens VDO, TRW, Tokai Rika, Valeo, Visteon and others.

As the automotive supply industry becomes increasingly global, certain of our European and Asian competitors have begun to establish a stronger presence in North America, which is likely to increase competition in this region.

Seasonality

Our principal operations are directly related to the automotive industry. Consequently, we may experience seasonal fluctuations to the extent automotive vehicle production slows, such as in the summer months when plants close for model year changeovers and vacations or during periods of high vehicle inventory. Historically, our sales and operating profit have been the strongest in the second and fourth calendar quarters. See Note 13, "Quarterly Financial Data," to the consolidated financial statements included in this Report.

Employees

As of December 31, 2005, Lear employed approximately 115,000 people worldwide, including approximately 29,000 people in the United States and Canada, approximately 40,000 in Mexico and Central America, approximately 33,000 in Europe and approximately 13,000 in other regions of the world. A substantial number of our employees are members of unions. We have collective bargaining agreements with several unions, including: the United Auto Workers; the Canadian Auto Workers; UNITE; the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America; and the International Association of Machinists and Aerospace Workers. Virtually all of our unionized facilities in the United States and Canada have a separate agreement with the union that represents the workers at such facilities, with each such agreement having an expiration date that is independent of other collective bargaining agreements. The majority of our European and Mexican employees are members of industrial trade union organizations and confederations within their respective countries. Many of these organizations and confederations operate under national contracts, which are not specific to any one employer. We have occasionally experienced labor disputes at our plants. We have been able to resolve all such labor disputes and believe our relations with our employees are generally good.

See Item 1A, "Risk Factors — A significant labor dispute involving us or one or more of our customers or suppliers or that could otherwise affect our operations could reduce our sales and harm our profitability," and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Forward-Looking Statements."

Available Information on our Website

Our website address is http://www.lear.com. We make available on our website, free of charge, the periodic reports that we file with or furnish to the Securities and Exchange Commission (the "SEC"), as well as all amendments to these reports, as soon as reasonably practicable after such reports are filed with or furnished to the SEC. We also make available on our website, or in printed form upon request, free of charge, our Corporate Governance Guidelines, Code of Business Conduct and Ethics (which includes specific provisions for our executive officers), charters for the committees of our Board of Directors and other information related to the Company.

The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington D.C. 20549. The public may obtain information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site (http://www.sec.gov) that contains reports, proxy and information statements and other information related to issuers that file electronically with the SEC.

ITEM 1A — *RISK FACTORS*

Our business, financial condition, operating results and cash flows may be impacted by a number of factors. In addition to the factors affecting specific business operations identified in connection with the description of these operations and the financial results of these operations elsewhere in this Report, the most significant factors affecting our operations include the following:

- ***A decline in the production levels of our major customers could reduce our sales and harm our profitability.***

Demand for our products is directly related to the automotive vehicle production by our major customers. Automotive sales and production can be affected by general economic or industry conditions, labor relations issues, regulatory requirements, trade agreements and other factors. Automotive industry conditions in North America and Europe continue to be challenging. In North America, the industry is characterized by significant overcapacity, fierce competition and significant pension and healthcare liabilities for the domestic automakers. In Europe, the market structure is more fragmented with significant overcapacity, and several of our key platforms have experienced production declines.

General Motors and Ford, our two largest customers, together accounted for approximately 44% of our net sales in 2005, excluding net sales to Saab, Volvo, Jaguar and Land Rover, which are affiliates of General Motors and Ford. Inclusive of their respective affiliates, General Motors and Ford accounted for approximately 28% and 25%, respectively, of our net sales in 2005. North American automotive production by General Motors and Ford has declined between 2000 and 2005, and these two customers have recently announced facility closures and other restructuring actions that will negatively impact future production levels for several of our key platforms. While we have been aggressively seeking to expand our business with Asian automotive manufacturers to offset these declines, no assurances can be given as to how successful we will be in doing so. As a result, any decline in the automotive production levels of our major customers, particularly with respect to models for which we are a significant supplier, could materially reduce our sales and harm our profitability, thereby making it more difficult for us to make payments under our indebtedness or resulting in a decline in the value of our common stock.

- ***The financial distress of our major customers and within the supply base could harm our profitability.***

During 2005, General Motors and Ford lowered production levels on several of our key platforms in an effort to reduce inventory levels. In addition, these customers have experienced declining market shares in North America and have recently announced significant restructuring actions in an effort to improve profitability. The domestic automotive manufacturers are also burdened with substantial structural costs, such as pension and healthcare costs, that have impacted their profitability and labor relations. Several other global automotive manufacturers are also experiencing operating and profitability issues, as well as labor concerns. In this environment, it is difficult to forecast or assess future customer production schedules, the potential for labor disputes or the success or sustainability of any strategies undertaken by any of our major customers in response to the current industry environment. In addition, cuts in production schedules are also sometimes announced by our customers with little advance notice, making it difficult to respond with corresponding cost reductions.

Our supply base has also been adversely affected by industry conditions. Lower production levels for our key customers and increases in certain raw material, commodity and energy costs have resulted in severe financial distress among many companies within the automotive supply base. Several large suppliers have filed for bankruptcy protection or ceased operations. The continuation of financial distress within the supply base may lead to increased commercial disputes and possible supply chain interruptions. In addition, the adverse industry environment has required us to provide financial support to distressed suppliers or take other measures to ensure uninterrupted production. While we have taken certain actions to mitigate these factors, we have offset only a portion of their overall impact on our operating results.

The continuation or worsening of these industry conditions would harm our profitability.

- ***The discontinuation of, the loss of business with respect to or a lack of commercial success of a particular vehicle model for which we are a significant supplier could reduce our sales and harm our profitability.***

Although we have purchase orders from many of our customers, these purchase orders generally provide for the supply of a customer's annual requirements for a particular model and assembly plant, renewable on a year-to-year basis, rather than for the purchase of a specific quantity of products. Therefore, the discontinuation of, the loss of business with respect to or a lack of commercial success of a particular vehicle model for which we are a significant supplier could reduce our sales and harm our profitability, thereby making it more difficult for us to make payments under our indebtedness or resulting in a decline in the value of our common stock.

• ***Our substantial international operations make us vulnerable to risks associated with doing business in foreign countries.***

As a result of our global presence, a significant portion of our revenues and expenses are denominated in currencies other than U.S. dollars. In addition, we have manufacturing and distribution facilities in many foreign countries, including countries in Asia, Eastern and Western Europe and Central and South America. International operations are subject to certain risks inherent in doing business abroad, including:

- exposure to local economic conditions;
- expropriation and nationalization;
- foreign exchange rate fluctuations and currency controls;
- withholding and other taxes on remittances and other payments by subsidiaries;
- investment restrictions or requirements;
- export and import restrictions; and
- increases in working capital requirements related to long supply chains.

Expanding our business in Asian markets and our business relationships with Asian automotive manufacturers are important elements of our strategy. In addition, our strategy includes expanding our European market share and expanding our manufacturing operations in lower-cost regions. As a result, our exposure to the risks described above may be greater in the future. The likelihood of such occurrences and their potential effect on us vary from country to country and are unpredictable. However, any such occurrences could be harmful to our business and our profitability, thereby making it more difficult for us to make payments under our indebtedness or resulting in a decline in the value of our common stock.

• ***High raw material costs may continue to have a significant adverse impact on our profitability.***

Higher costs for certain raw materials and commodities, principally steel, resins and other oil-based commodities, as well as higher energy costs, had a material adverse impact on our operating results in 2005 and will continue to negatively impact our profitability in 2006. While we have developed strategies to mitigate or partially offset the impact of higher raw material, energy and commodity costs, we cannot assure you that such measures will be successful. In addition, no assurances can be given that the magnitude and duration of these cost increases or any future cost increases will not have a larger adverse impact on our profitability and consolidated financial position than currently anticipated.

• ***A significant labor dispute involving us or one or more of our customers or suppliers or that could otherwise affect our operations could reduce our sales and harm our profitability.***

Most of our employees and a substantial number of the employees of our largest customers and suppliers are members of industrial trade unions and are employed under the terms of collective bargaining agreements. Virtually all of our unionized facilities in the United States and Canada have a separate agreement with the union that represents the workers at such facilities, with each such agreement having an expiration date that is independent of other collective bargaining agreements. Collective bargaining agreements covering approximately 57% of our unionized workforce of approximately 92,000 employees, including approximately 16% of our unionized workforce in the United States and Canada, are scheduled to expire during 2006. The current collective bargaining agreements of our three largest customers in the United States expire in 2007. A labor dispute involving us or any of our customers or suppliers or that could otherwise affect our operations could reduce our sales and harm our profitability, thereby making it more difficult for us to make payments under our indebtedness or resulting in a decline in the value of our common stock. A labor dispute involving another supplier to our customers that results in a slowdown or closure of our customers' assembly plants where our products are included in assembled vehicles could also have a material adverse effect on our business. In addition, the inability by us or any of our suppliers, our customers or our customers' other suppliers to negotiate an extension of a collective bargaining agreement covering a large number of employees upon its expiration could reduce our sales and harm our profitability. Significant increases in labor costs as a result of the renegotiation of collective bargaining agreements could also be harmful to our business and our profitability.

- ***Adverse developments affecting one or more of our major suppliers could harm our profitability.***

We obtain components and other products and services from numerous tier II automotive suppliers and other vendors throughout the world. In certain instances, it would be difficult and expensive for us to change suppliers of products and services that are critical to our business. In addition, in some cases, our customers designate our tier II suppliers and as a result, we do not always have the flexibility or authority to change suppliers. Certain of our suppliers are financially distressed or may become financially distressed. In addition, an increasing number of our suppliers are located outside of North America or Western Europe. Any significant disruption in our supplier relationships, including certain relationships with sole-source suppliers, could harm our profitability, thereby making it more difficult for us to make payments under our indebtedness or resulting in a decline in the value of our common stock.

- ***A significant product liability lawsuit, warranty claim or product recall involving us or one of our major customers could harm our profitability.***

In the event that our products fail to perform as expected and such failure results in, or is alleged to result in, bodily injury and/or property damage or other losses, we may be subject to product liability lawsuits and other claims. In addition, we are a party to warranty-sharing and other agreements with our customers related to our products. These customers may seek contribution or indemnification from us for all or a portion of the costs associated with product liability and warranty claims, recalls or other corrective actions involving our products. These types of claims could significantly harm our profitability, thereby making it more difficult for us to make payments under our indebtedness or resulting in a decline in the value of our common stock.

- ***We are involved from time to time in legal proceedings and commercial or contractual disputes, which could have an adverse impact on our profitability and consolidated financial position.***

We are involved in legal proceedings and commercial or contractual disputes that, from time to time, are significant. These are typically claims that arise in the normal course of business including, without limitation, commercial or contractual disputes, including disputes with our suppliers, intellectual property matters, personal injury claims and employment matters. No assurances can be given that such proceedings and claims will not have a material adverse effect on our profitability and consolidated financial position.

- ***We depend upon cash from our subsidiaries. Therefore, if we do not receive dividends or other distributions from our subsidiaries, it could be more difficult for us to make payments under our indebtedness.***

A substantial portion of our revenue and operating income is generated by our wholly-owned subsidiaries. Accordingly, we are dependent on the earnings and cash flows of, and dividends and distributions or advances from, our subsidiaries to provide the funds necessary to meet our debt service obligations. We utilize certain cash flows of our foreign subsidiaries to satisfy obligations locally. Our obligations under our primary credit facility and senior notes are currently guaranteed by certain of our subsidiaries, but such guarantees may be released under certain circumstances.

- ***Risks related to Arthur Andersen LLP.***

Our consolidated financial statements for the year ended December 31, 2001, were audited by Arthur Andersen LLP, independent public accountants. On June 15, 2002, Arthur Andersen LLP was convicted of federal obstruction of justice charges. On August 31, 2002, Arthur Andersen LLP ceased practicing before the SEC.

Holders of our securities may have no effective remedy against Arthur Andersen LLP in connection with a material misstatement or omission in any of our financial statements audited by Arthur Andersen LLP.

Arthur Andersen LLP did not participate in the preparation of this Report and did not reissue its audit report with respect to the financial information included in this Report. As a result, holders of our securities may have no effective remedy against Arthur Andersen LLP in connection with a material misstatement or omission in the financial information audited by Arthur Andersen LLP. In addition, even if such holders were able to assert such a claim, as a result of its conviction on federal obstruction of justice charges and other lawsuits, Arthur Andersen LLP may fail or otherwise have insufficient assets to satisfy claims made by investors that might arise under federal securities laws or otherwise with respect to the financial information it has audited.

ITEM 1B — *UNRESOLVED STAFF COMMENTS*

None.

ITEM 2 — *PROPERTIES*

As of December 31, 2005, our operations were conducted through 282 facilities, some of which are used for multiple purposes, including 174 production/manufacturing facilities, 51 administrative/technical support facilities, 47 assembly sites, six advanced technology centers and four distribution centers, in 34 countries. We also have warehouse facilities in the regions in which we operate. Our corporate headquarters is located in Southfield, Michigan. Our facilities range in size up to 1,148,000 square feet.

Of our 282 total facilities, which include facilities owned or leased by our consolidated subsidiaries, 128 are owned and 154 are leased with expiration dates ranging from 2006 through 2053. We believe that substantially all of our property and equipment is in good condition and that we have sufficient capacity to meet our current and expected manufacturing and distribution needs. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Financial Condition."

The following table presents the locations of our operating facilities and the operating segments(1) that use such facilities:

Argentina
Escobar, BA(S)
Pacheco, BA(E)

Austria
Graz(S)
Koeflach(S)

Belgium
Genk(S)

Brazil
Betim(S)
Cacapava(S)
Camacari(S)
Gravatai(S)
Sao Paulo(S)

Canada
Ajax, ON(S)
Concord, ON(I)
Kitchener, ON(S)
Mississauga, ON(I)
St. Thomas, ON(S)
Whitby, ON(S)
Windsor, ON(S)

China
Beijing(A/T)
Changchun(S)
Chongqing(S)
Liuzhou(S)
North Point(A/T)
Shanghai(I)
Shenyang(I)
Wuhan(E)

Czech Republic
Kolin(S)
Prestice(I)
Vyskov(E)

England
Coventry, CV(S)
Coventry, WM(S)
Liverpool, ME(S)
Nottingham, NG(S)

France
Cergy(S)
Feignies(S)
Garches(E)
Guipry(S)
Lagny-Le-Sec(S)
Offranville(I)
Rueil-Malmaison(A/T)

Germany
Allershausen-
Leonhardsbuch(S)
Bersenbruck(E)
Besigheim(S)
Boeblingen(S)
Bremen(S)
Ebersberg(I)
Eisenach(S)
Garching-Hochbruck(S)
Ginsheim-Gustavsburg(M)
Koln(E)
Kranzberg(A/T)
Kronach(E)
Munich(S)
Plattling(I)
Quakenbruck(S)
Remscheid(E)
Rietberg(S)
Saarlouis(E)
Wackersdorf(S)
Wismar(E)
Wuppertal(E)
Zwiesel(I)

Honduras
Naco, SB(E)
San Pedro Sula, CA(E)

Hungary
Godollo(E)
Gyongyos(E)
Gyor(S)
Mor(S)

India
Halol(S)
Mumbai(S)
Nasik(S)
New Delhi(S)
Thane(A/T)

Italy
Caivano, NA(S)
Cassino, FR(M)
Grugliasco, TO(S)
Melfi, PZ(M)
Montelabate, PS(I)
Pianfei, CN(I)
Pozzo d'Adda, MI(S)
Termini Imerese, PA(S)

Japan
Atsugi-shi(A/T)
Hiroshima(A/T)
Tokyo(E)
Toyota City(A/T)
Utsunomiya(A/T)

Mexico
Chihuahua, CH(E)
Hermosillo, SO(S)
Juarez, CH(M)
Mexico City, DF(I)
Puebla, PU(S)
Ramos Arizpe, CO(S)
Saltillo, CO(S)
Santa Catarina, NL(I)
Silao, GO(S)
Tlahuac, DF(I)
Toluca, MX(I)

Morocco
Tangier(E)

Netherlands
Weesp(A/T)

Philippines
LapuLapu City, CE(E)

Poland
Mielec(E)
Jaroslaw(S)
Teresin(I)
Tychy(S)

Portugal
Palmela, SL(S)
Valongo, PO(E)

Romania
Pitesti(E)

Russia
Nizhny Novgorod(S)

Singapore
Wisma Atria(S)

Slovakia
Lozorno(I)

South Africa
East London(S)
Port Elizabeth(S)
Rosslyn(S)

South Korea
Cheonan(S)
Gyeongju(S)
Seoul(A/T)

Spain
Almussafes(E)
Avila(E)

Epila(S)
Logrono(S)
Roquetes(E)
Valdemoro(S)
Valls(E)

Sweden
Fargelanda(I)
Gothenburg(M)
Tanumshede(I)
Tidaholm(I)
Trollhattan(S)

Thailand
Bangkok(S)
Muang
Nakornratchasima(S)
Rayong(S)

Tunisia
Bir El Bey(E)

Turkey
Bostanci-Istanbul(E)
Bursa(S)

United States
Alma, MI(I)
Arlington, TX(S)
Atlanta, GA(S)
Berne, IN(S)
Bridgeton, MO(S)
Brownstown, MI(S)
Canton, MS(I)
Carlisle, PA(I)
Chicago, IL(I)
Columbus, OH(E)
Covington, VA(I)
Dayton, TN(I)
Dearborn, MI(M)
Detroit, MI(M)
Duncan, SC(S)
Edinburgh, IN(I)
El Paso, TX(E)
Elsie, MI(S)
Farwell, MI(S)
Fenton, MI(S)
Frankfort, IN(S)
Fremont, OH(I)
Greencastle, IN(I)
Hammond, IN(S)
Hazelwood, MO(S)
Hebron, OH(S)
Highland Park, MI(I)
Holt, MI(I)
Huron, OH(I)
Iowa City, IA(I)
Janesville, WI(S)
Lebanon, OH(I)
Lebanon, VA(I)
Liberty, MO(S)
Louisville, KY(S)
Madison Heights, MI(S)
Madisonville, KY(I)
Manteca, CA(I)
Marshall, MI(I)
Mason, MI(S)
Mendon, MI(I)
Monroe, MI(S)
Montgomery, AL(S)

Morristown, TN(S)
Newark, DE(M)
Northwood, OH(I)
Plymouth, IN(E)
Plymouth, MI(S)
Pontiac, MI(A/T)
Port Huron, MI(I)
Rochester Hills, MI(S)
Romulus, MI(S)
Roscommon, MI(S)
Saline, MI(S)
Selma, AL(S)
Sheboygan, WI(I)
Sidney, OH(I)
Southfield, MI(A/T)
Strasburg, VA(I)
Tampa, FL(E)
Taylor, MI(E)
Traverse City, MI(E)
Troy, MI(A/T)
Walker, MI(S)
Warren, MI(M)
Warren, OH(S)
Wauseon, OH(I)
Wentzville, MO(S)
Zanesville, OH(E)

Venezuela
Valencia(S)

(1) **Legend**
S — Seating
I — Interior
E — Electronic and electrical
M — Multiple segments
A/T — Administrative/technical

Certain administrative/ technical facilities are included within the operating segments.

ITEM 3 — *LEGAL PROCEEDINGS*

Commercial Disputes

We are involved from time to time in legal proceedings and claims, including, without limitation, commercial or contractual disputes with our suppliers and competitors. Largely as a result of generally unfavorable industry conditions and financial distress within the automotive supply base, we experienced an increase in commercial and contractual disputes, particularly with our suppliers. These disputes vary in nature and are usually resolved by negotiations between the parties.

On January 29, 2002, Seton Company ("Seton"), one of our leather suppliers, filed a suit alleging that we had breached a purported agreement to purchase leather from Seton for seats for the life of the General Motors GMT 800 program. Seton filed the lawsuit in the U.S. District Court for the Eastern District of Michigan seeking compensatory and exemplary damages totaling approximately $97 million, plus interest, on breach of contract and promissory estoppel claims. In May 2005, this case proceeded to trial, and the jury returned a $30 million verdict against us. On September 27, 2005, the Court denied our post-trial motions challenging the judgment and granted Seton's motion to award prejudgment interest in the amount of approximately $5 million. We are appealing the judgment and the interest award.

On January 26, 2004, we filed a patent infringement lawsuit against Johnson Controls Inc. and Johnson Controls Interiors LLC (together, "JCI") in the U.S. District Court for the Eastern District of Michigan alleging that JCI's garage door opener products infringed certain of our radio frequency transmitter patents. JCI counterclaimed seeking a declaratory judgment that the subject patents are invalid and unenforceable, and that JCI is not infringing these patents. JCI also has filed motions for summary judgment asserting that its garage door opener products do not infringe our patents. We are vigorously pursuing our claims against JCI and discovery is on-going. A trial in the case is currently scheduled for the second quarter of 2006.

After we filed our patent infringement action against JCI, affiliates of JCI sued one of our vendors and certain of the vendor's employees in Ottawa Circuit Court, Michigan, on July 8, 2004, alleging misappropriation of trade secrets. The suit alleges that the defendants misappropriated and shared with us trade secrets involving JCI's universal garage door opener product. JCI seeks to enjoin the defendants from selling or attempting to sell a competing product. We are not a defendant in this lawsuit; however, the agreements between us and the defendants contain customary indemnification provisions. We do not believe that our garage door opener product benefited from any allegedly misappropriated trade secrets or technology. However, JCI has sought discovery of certain information which we believe is confidential and proprietary, and we have intervened in the case for the limited purpose of protecting our rights with respect to JCI's discovery efforts. Discovery has been extended to July 2006. A trial date has not yet been scheduled.

On June 13, 2005, The Chamberlain Group ("Chamberlain") filed a lawsuit against us and Ford Motor Company ("Ford") in the Northern District of Illinois alleging patent infringement. Two counts were asserted against us and Ford based upon Chamberlain's rolling code security system patent and a related product which operates transmitters to actuate garage door openers. Two additional counts were asserted against Ford only (not us) based upon different Chamberlain patents. The Chamberlain lawsuit was filed in connection with the marketing of our universal garage door opener system, which competes with a product offered by JCI. JCI obtained technology from Chamberlain to operate its product. In October 2005, JCI joined the lawsuit as a plaintiff along with Chamberlain, and Chamberlain dismissed its infringement claims against Ford based upon its rolling security system patent. JCI and Chamberlain have filed a motion for a preliminary injunction, which we are contesting. We are vigorously defending the claims asserted in this lawsuit. A trial date has not yet been scheduled.

Product Liability Matters

In the event that use of our products results in, or is alleged to result in, bodily injury and/or property damage or other losses, we may be subject to product liability lawsuits and other claims. In addition, we are a party to warranty-sharing and other agreements with our customers relating to our products. These customers may pursue claims against us for contribution of all or a portion of the amounts sought in connection with product liability and warranty claims. We can provide no assurances that we will not experience material claims in the future or that we will not incur significant costs to defend such claims. In addition, if any of our products are, or are alleged to be, defective, we may be required or requested by our customers to participate in a recall or other corrective action involving such products. Certain of our customers have asserted claims against us for costs related to recalls or other corrective actions involving our products. In certain instances, the allegedly defective products were supplied by tier II suppliers against whom we have sought or will seek contribution. We carry insurance for certain legal matters, including product liability claims, but such coverage may be limited. We do not maintain insurance for product warranty or recall matters.

Environmental Matters

We are subject to local, state, federal and foreign laws, regulations and ordinances which govern activities or operations that may have adverse environmental effects and which impose liability for clean-up costs resulting from past spills, disposals or other releases of hazardous wastes and environmental compliance. Our policy is to comply with all applicable environmental laws and to maintain an environmental management program based on ISO 14001 to ensure compliance. However, we currently are, have been and in the future may become the subject of formal or informal enforcement actions or procedures.

We have been named as a potentially responsible party at several third-party landfill sites and are engaged in the cleanup of hazardous waste at certain sites owned, leased or operated by us, including several properties acquired in our 1999 acquisition of UT Automotive, Inc. ("UT Automotive"). Certain present and former properties of UT Automotive are subject to environmental liabilities which may be significant. We obtained agreements and indemnities with respect to certain environmental liabilities from United Technologies Corporation ("UTC") in connection with our acquisition of UT Automotive. UTC manages and directly funds these environmental liabilities pursuant to its agreements and indemnities with us.

While we do not believe that the environmental liabilities associated with our current and former properties will have a material adverse effect on our business, consolidated financial position or results of operations, no assurances can be given in this regard.

One of our subsidiaries and certain predecessor companies were named as defendants in an action filed by three plaintiffs in August 2001 in the Circuit Court of Lowndes County, Mississippi, asserting claims stemming from alleged environmental contamination caused by an automobile parts manufacturing plant located in Columbus, Mississippi. The plant was acquired by us as part of our acquisition of UT Automotive in May 1999 and sold almost immediately thereafter, in June 1999, to Johnson Electric Holdings Limited ("Johnson Electric"). In December 2002, 61 additional cases were filed by approximately 1,000 plaintiffs in the same court against us and other defendants relating to similar claims. In September 2003, we were dismissed as a party to these cases. In the first half of 2004, we were named again as a defendant in these same 61 additional cases and were also named in five new actions filed by approximately 150 individual plaintiffs related to alleged environmental contamination from the same facility. The plaintiffs in these actions are persons who allegedly were either residents and/or owned property near the facility or worked at the facility. In November 2004, two additional lawsuits were filed by 28 plaintiffs (individuals and organizations), alleging property damage as a result of the alleged contamination. Each of these complaints seeks compensatory and punitive damages.

All of the plaintiffs have dismissed their claims for health effects and personal injury damages without prejudice. There is the potential that these plaintiffs could seek separate counsel to re-file their personal injury claims. Currently, there are approximately 270 plaintiffs remaining in the lawsuits who are proceeding with property damage claims only. In March 2005, the venue for these lawsuits was transferred from Lowndes County, Mississippi, to Lafayette County, Mississippi. In April 2005, certain plaintiffs filed an amended complaint alleging negligence, nuisance, intentional tort and conspiracy claims and seeking compensatory and punitive damages. In April 2005, the court scheduled the first trial date for the first group of plaintiffs to commence March 2006. The March 2006 trial date has since been continued until a date to be set by the court, and discovery has extended into the first quarter of 2006.

UTC, the former owner of UT Automotive, and Johnson Electric have each sought indemnification for losses associated with the Mississippi claims from us under the respective acquisition agreements, and we have claimed indemnification from them under the same agreements. To date, no company admits to, or has been found to have, an obligation to fully defend and indemnify any other. We intend to vigorously defend against these claims and believe that we will eventually be indemnified by either UTC or Johnson Electric for a substantial portion of the resulting losses, if any. However, the ultimate outcome of these matters is unknown.

Other Matters

In January 2004, the Securities and Exchange Commission (the "SEC") commenced an informal inquiry into our September 2002 amendment of our 2001 Form 10-K. The amendment was filed to report our employment of relatives of certain of our directors and officers and certain related party transactions. The SEC's inquiry does not relate to our consolidated financial statements. In February 2005, the staff of the SEC informed us that it proposed to recommend to the SEC that it issue an administrative "cease and desist" order as a result of our failure to disclose the related party transactions in question prior to the amendment of our 2001 Form 10-K. We expect to consent to the entry of the order as part of a settlement of this matter.

In February 2006, we received a subpoena from the SEC in connection with an ongoing investigation of General Motors Corporation by the SEC. This investigation has been previously reported by General Motors as involving, among other things, General Motors' accounting for payments and credits by suppliers. The SEC subpoena seeks the production of documents relating to payments or credits by us to General Motors from 2001 to the present. We are cooperating with the SEC in connection with this matter.

Prior to our acquisition of UT Automotive from UTC in May 1999, one of our subsidiaries purchased the stock of a UT Automotive subsidiary. In connection with the acquisition, we agreed to indemnify UTC for certain tax consequences if the Internal Revenue Service (the "IRS") overturned UTC's tax treatment of the transaction. The IRS proposed an adjustment to UTC's tax treatment of the transaction seeking an increase in tax of approximately $88 million, excluding interest. In April 2005, a protest objecting to the proposed adjustment was filed with the IRS. The case was then referred to the Appeals Office of the IRS for an independent review. There have been several meetings and discussions with the IRS Appeals personnel in an attempt to resolve the case. Although we believe that valid support exists for UTC's tax positions, we and UTC are currently in settlement negotiations with the IRS. An indemnity payment by us to UTC for the ultimate amount due to the IRS would constitute an adjustment to the purchase price and resulting goodwill of the UT Automotive acquisition, if and when made, and would not be expected to have a material effect on our reported earnings.

Although we record reserves for legal, product warranty and environmental matters in accordance with Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies," the outcomes of these matters are inherently uncertain. Actual results may differ significantly from current estimates. See Item 1A, "Risk Factors."

We are involved in certain other legal actions and claims arising in the ordinary course of business, including, without limitation, commercial disputes, intellectual property matters, personal injury claims, tax claims and employment matters. Although the outcome of any legal matter cannot be predicted with certainty, we do not believe that any of these other legal proceedings or matters in which we are currently involved, either individually or in the aggregate, will have a material adverse effect on our business, consolidated financial position or results of operations. See Item 1A, "Risk Factors — We are involved from time to time in legal proceedings and commercial or contractual disputes, which could have an adverse impact on our profitability and consolidated financial position," and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Other Matters."

ITEM 4 — *SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS*

No matters were submitted to a vote of security holders during the fourth quarter of 2005.

SUPPLEMENTARY ITEM — *EXECUTIVE OFFICERS OF THE COMPANY*

The following table sets forth the names, ages and positions of our executive officers. Executive officers are elected annually by our Board of Directors and serve at the pleasure of our Board.

Name	Age	Position
Shari L. Burgess	47	Vice President and Treasurer
Douglas G. DelGrosso	44	President and Chief Operating Officer
Roger A. Jackson	59	Senior Vice President — Human Resources
James L. Murawski	54	Vice President and Corporate Controller
Daniel A. Ninivaggi	41	Senior Vice President, Secretary and General Counsel
Robert E. Rossiter	60	Chairman and Chief Executive Officer
Raymond E. Scott	40	Senior Vice President and President, North American Customer Group
Matthew J. Simoncini	45	Vice President of Global Finance
James H. Vandenberghe	56	Vice Chairman
David C. Wajsgras	46	Executive Vice President and Chief Financial Officer
P. Joseph Zimmer	47	Senior Vice President and President, Global Seating Systems Product Group

Set forth below is a description of the business experience of each of our executive officers.

Shari L. Burgess — Ms. Burgess is our Vice President and Treasurer, a position she has held since August 2002. Previously, she served as our Assistant Treasurer since July 2000 and in various financial positions since November 1992.

Douglas G. DelGrosso — Mr. DelGrosso is our President and Chief Operating Officer, a position he has held since May 2005. Previously, he served as our President and Chief Operating Officer — Americas since August 2004, our President and Chief Operating Officer — Europe, Asia and Africa since August 2002, our Executive Vice President — International since September 2001, our Senior Vice President — Product Focus Group since October 2000 and our Senior Vice President and President — North American and South American Operations since May 1999. Prior to this, Mr. DelGrosso held several senior operational positions and has been employed by Lear since 1984.

Roger A. Jackson — Mr. Jackson is our Senior Vice President — Human Resources, a position he has held since October 1995. Prior to joining Lear, he was employed as Vice President — Human Resources at Allen Bradley, a wholly-owned subsidiary of Rockwell International, since 1991. Mr. Jackson was employed by Rockwell International or one of its subsidiaries from December 1977 until September 1995.

James L. Murawski — Mr. Murawski is our Vice President and Corporate Controller, a position he has held since March 2005. Previously, he served as our Vice President of Internal Audit since June 2003. Prior to joining Lear, Mr. Murawski was employed in public accounting at Deloitte & Touche for fourteen years and in various financial positions at Collins & Aikman Corporation, TRW Automotive and LucasVarity.

Daniel A. Ninivaggi — Mr. Ninivaggi is our Senior Vice President, Secretary and General Counsel. He has been Senior Vice President since June 2004 and

	joined Lear as our Vice President, Secretary and General Counsel in July 2003. Prior to joining Lear, Mr. Ninivaggi was a partner since 1998 in the New York office of Winston & Strawn LLP, specializing in corporate finance, securities law and mergers and acquisitions.
Robert E. Rossiter	Mr. Rossiter is our Chairman and Chief Executive Officer, a position he has held since January 2003. Mr. Rossiter has served as our Chief Executive Officer since October 2000, as our President from 1984 until December 2002 and as our Chief Operating Officer from 1988 until April 1997 and from November 1998 until October 2000. Mr. Rossiter also served as our Chief Operating Officer — International Operations from April 1997 until November 1998. Mr. Rossiter has been a director of Lear since 1988.
Raymond E. Scott	Mr. Scott is our Senior Vice President and President, North American Customer Group, a position he has held since August 2005. Previously, he served as our President, General Motors Division since June 2005, our President, European Customer Focused Division since June 2004 and our President, General Motors Division since November 2000.
Matthew J. Simoncini	Mr. Simoncini is our Vice President of Global Finance, a position he has held since February 2006. Previously, he served as our Vice President of Operational Finance since June 2004, our Vice President of Finance — Europe since 2001 and prior to 2001, in various senior financial positions for both Lear and United Technologies Automotive, which was acquired by Lear in 1999.
James H. Vandenberghe	Mr. Vandenberghe is our Vice Chairman, a position he has held since November 1998, and effective March 10, 2006, will become our interim Chief Financial Officer. Mr. Vandenberghe also served as our President and Chief Operating Officer — North American Operations from April 1997 until November 1998, our Chief Financial Officer from 1988 until April 1997 and as our Executive Vice President from 1993 until April 1997. Mr. Vandenberghe has been a director of Lear since 1995.
David C. Wajsgras	Mr. Wajsgras is our Executive Vice President and Chief Financial Officer, a position he has held since August 2005. Previously, he served as our Senior Vice President and Chief Financial Officer since January 2002 and our Vice President and Corporate Controller since September 1999. Prior to joining Lear, Mr. Wajsgras served as Corporate Controller of Engelhard Corporation from September 1997 until August 1999 and was employed in various senior financial positions at AlliedSignal Inc. (now Honeywell International Inc.), including Chief Financial Officer of the Global Shared Services organization, from March 1992 until September 1997. Mr. Wajsgras is also a director of 3Com Corporation. Effective March 10, 2006, Mr. Wajsgras will resign as Executive Vice President and Chief Financial Officer of Lear to become Senior Vice President and Chief Financial Officer of Raytheon Company, a provider of defense and aerospace systems.

P. Joseph Zimmer	Mr. Zimmer is our Senior Vice President and President, Global Seating Systems Product Group, a position he has held since August 2005. Previously, he served as our President, Interior Products Division —Europe since December 2003 and our President, Seating Systems Division since October 2000.

PART II

ITEM 5 — *MARKET FOR THE COMPANY'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*

Lear's common stock is listed on the New York Stock Exchange under the symbol "LEA." The Transfer Agent and Registrar for Lear's common stock is The Bank of New York, located in New York, New York. On February 28, 2006, there were 1,387 holders of record of Lear's common stock.

The high and low sales prices per share of our common stock, as reported on the New York Stock Exchange, and the amount of our dividend declarations for 2005 and 2004 are shown below:

	Price Range of Common Stock		Cash Dividend
For the Year Ended December 31, 2005:	**High**	**Low**	**per Share**
4th Quarter	$ 33.50	$ 27.09	$ 0.25
3rd Quarter	$ 42.77	$ 32.43	$ 0.25
2nd Quarter	$ 44.29	$ 33.89	$ 0.25
1st Quarter	$ 60.05	$ 43.96	$ 0.25

	Price Range of Common Stock		Cash Dividend
For the Year Ended December 31, 2004:	**High**	**Low**	**per Share**
4th Quarter	$ 61.26	$ 49.73	$ 0.20
3rd Quarter	$ 58.24	$ 52.08	$ 0.20
2nd Quarter	$ 65.90	$ 54.60	$ 0.20
1st Quarter	$ 68.88	$ 58.15	$ 0.20

We did not pay cash dividends prior to January 9, 2004.

On February 9, 2006, our Board of Directors declared a cash dividend of $0.25 per share of common stock, payable on March 13, 2006, to shareholders of record at the close of business on February 24, 2006. The payment of cash dividends in the future is dependent upon our financial condition, results of operations, capital requirements, alternative uses of capital and other factors. Also, we are subject to the restrictions on the payment of dividends contained in our amended and restated primary credit facility and in certain other contractual obligations. Under our amended and restated primary credit facility, payment of a quarterly dividend is permitted if at the time our Board of Directors declares such dividend, no default under our primary credit facility has occurred, is occurring or would occur as a result of such dividend.

As discussed in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Capitalization — Common Stock Repurchase Program," in November 2004, our Board of Directors approved a new common stock repurchase program which replaced the prior program. The current program permits the discretionary repurchase of up to 5,000,000 shares of our common stock through November 15, 2006. As of December 31, 2005, we had repurchased 490,900 shares of our outstanding common stock under this program. There were no shares repurchased under this program during the quarter ended December 31, 2005.

ITEM 6 — *SELECTED FINANCIAL DATA*

The following statement of operations, balance sheet and cash flow statement data were derived from our consolidated financial statements. Our consolidated financial statements for the years ended December 31, 2005, 2004, 2003 and 2002, have been audited by Ernst & Young LLP. Our consolidated financial statements for the year ended December 31, 2001, have been audited by Arthur Andersen LLP. The selected financial data below should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated financial statements and the notes thereto included in this Report. For a discussion of the risks related to Arthur Andersen LLP's audit of our financial statements, see Item 1A, "Risk Factors — Risks related to Arthur Andersen LLP."

For the Year Ended December 31,	2005(1)	2004	2003	2002	2001(2)
			(In millions(3))		
Statement of Operations Data:					
Net sales	$ 17,089.2	$ 16,960.0	$ 15,746.7	$ 14,424.6	$ 13,624.7
Gross profit	736.0	1,402.1	1,346.4	1,260.3	1,034.8
Selling, general and administrative expenses	630.6	633.7	573.6	517.2	514.2
Goodwill impairment charges	1,012.8	—	—	—	—
Amortization of goodwill	—	—	—	—	90.2
Interest expense	183.2	165.5	186.6	210.5	254.7
Other expense, net(4)	38.0	38.6	51.8	52.1	78.3
Income (loss) before provision for income taxes, minority interests in consolidated subsidiaries, equity in net (income) loss of affiliates and cumulative effect of a change in accounting principle	(1,128.6)	564.3	534.4	480.5	97.4
Provision for income taxes	194.3	128.0	153.7	157.0	63.6
Minority interests in consolidated subsidiaries	7.2	16.7	8.8	13.3	11.5
Equity in net (income) loss of affiliates	51.4	(2.6)	(8.6)	(1.3)	(4.0)
Income (loss) before cumulative effect of a change in accounting principle	(1,381.5)	422.2	380.5	311.5	26.3
Cumulative effect of a change in accounting principle, net of tax(5)	—	—	—	298.5	—
Net income (loss)	$ (1,381.5)	$ 422.2	$ 380.5	$ 13.0	$ 26.3
Basic net income (loss) per share	$ (20.57)	$ 6.18	$ 5.71	$ 0.20	$ 0.41
Diluted net income (loss) per share(6)	$ (20.57)	$ 5.77	$ 5.31	$ 0.29	$ 0.40
Weighted average shares outstanding — basic	67,166,668	68,278,858	66,689,757	65,365,218	63,977,391
Weighted average shares outstanding — diluted(6)	67,166,668	74,727,263	73,346,568	71,289,991	65,305,034
Dividends per share	$ 1.00	$ 0.80	$ 0.20	$ —	$ —

For the Year Ended December 31,	2005(1)	2004	2003 (In millions(3))	2002	2001(2)
Balance Sheet Data:					
Current assets	$ 3,846.4	$ 4,372.0	$ 3,375.4	$ 2,507.7	$ 2,366.8
Total assets	8,288.4	9,944.4	8,571.0	7,483.0	7,579.2
Current liabilities	4,106.7	4,647.9	3,582.1	3,045.2	3,182.8
Long-term debt	2,243.1	1,866.9	2,057.2	2,132.8	2,293.9
Stockholders' equity	1,111.0	2,730.1	2,257.5	1,662.3	1,559.1
Statement of Cash Flows Data:					
Cash flows from operating activities	$ 560.8	$ 675.9	$ 586.3	$ 545.1	$ 829.8
Cash flows from investing activities	(531.3)	(472.5)	(346.8)	(259.3)	(201.1)
Cash flows from financing activities	(347.0)	166.1	(158.6)	(295.8)	(645.5)
Capital expenditures	568.4	429.0	375.6	272.6	267.0
Other Data (unaudited):					
Ratio of earnings to fixed charges(7)	—	3.7x	3.4x	3.0x	1.3x
Employees as of year end	115,113	110,083	111,022	114,694	113,577
North American content per vehicle(8)	$ 586	$ 588	$ 593	$ 579	$ 572
North American vehicle production(9)	15.8	15.7	15.9	16.4	15.5
European content per vehicle(10)	$ 347	$ 351	$ 310	$ 247	$ 233
European vehicle production(11)	18.9	18.9	18.2	18.1	18.3

(1) Results include the effect of $1,012.8 million of goodwill impairment charges, $82.3 million of fixed asset impairment charges, $104.4 million of restructuring and related manufacturing inefficiency charges (including $15.1 million of fixed asset impairment charges), $39.2 of litigation-related charges, $46.7 million of charges related to the divestiture and/or capital restructuring of joint ventures, $300.3 million of tax charges, consisting of a U.S. deferred tax asset valuation allowance of $255.0 million and an increase in related tax reserves of $45.3 million, and a tax benefit related to a tax law change in Poland of $17.8 million.

(2) Results include the effect of $149.2 million of restructuring and other charges, $90.2 million of goodwill amortization, $13.0 million of premium and write-off of deferred financing fees related to the prepayment of debt and a $15.0 million net loss on the sale of certain businesses and other non-recurring transactions.

(3) Except per share data, weighted average shares outstanding, ratio of earnings to fixed charges, employees as of year end and content per vehicle information.

(4) Includes state and local non-income related taxes, foreign exchange gains and losses, gains and losses on the sales of fixed assets and other miscellaneous income and expense.

(5) The cumulative effect of a change in accounting principle results from goodwill impairment charges recorded in conjunction with the adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

(6) On December 15, 2004, we adopted the provisions of Emerging Issues Task Force ("EITF") 04-08, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share." Accordingly, diluted net income per share and weighted average shares outstanding — diluted have been restated to reflect the 4,813,056 shares issuable upon conversion of our outstanding zero-coupon convertible senior notes since the issuance date of February 14, 2002.

(7) "Fixed charges" consist of interest on debt, amortization of deferred financing fees and that portion of rental expenses representative of interest. "Earnings" consist of income (loss) before provision for income taxes, minority interests in consolidated subsidiaries, equity in the undistributed net (income) loss of affiliates, fixed charges and cumulative effect of a change in accounting principle. Earnings in 2005 were insufficient to cover fixed charges by $1,123.3 million. Accordingly, such ratio is not presented.

(8) "North American content per vehicle" is our net sales in North America divided by estimated total North American vehicle production. Content per vehicle data excludes business conducted through non-consolidated joint ventures. Content per vehicle data for 2004 has been updated to reflect actual production levels.

(9) "North American vehicle production" includes car and light truck production in the United States, Canada and Mexico as provided by Ward's Automotive. Production data for 2004 has been updated to reflect actual production levels.

(10) "European content per vehicle" is our net sales in Europe divided by estimated total European vehicle production. Content per vehicle data excludes business conducted through non-consolidated joint ventures. Content per vehicle data for 2004 has been updated to reflect actual production levels.

(11) "European vehicle production" includes car and light truck production in Austria, Belgium, Bosnia, Czech Republic, Finland, France, Germany, Hungary, Italy, Kazakhstan, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Turkey, Ukraine and United Kingdom as provided by J.D. Power and Associates. Production data for 2004 has been updated to reflect actual production levels.

ITEM 7 — *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

Executive Overview

We were incorporated in Delaware in 1987 and are one of the world's largest automotive interior systems suppliers based on net sales. Our net sales have grown from $14.1 billion for the year ended December 31, 2000, to $17.1 billion for the year ended December 31, 2005. We supply every major automotive manufacturer in the world, including General Motors, Ford, DaimlerChrysler, BMW, PSA, Volkswagen, Fiat, Renault-Nissan, Hyundai, Mazda, Subaru and Toyota.

We supply automotive manufacturers with complete automotive seat systems, electrical distribution systems and various electronic products. We also supply automotive interior components and systems, including instrument panels and cockpit systems, headliners and overhead systems, door panels and flooring and acoustic systems.

In light of recent customer and market trends, we have been evaluating strategic alternatives with respect to our interior segment. On October 17, 2005, we entered into a framework agreement relating to a proposed joint venture relationship with WL Ross & Co. LLC and Franklin Mutual Advisers, LLC. We would hold a non-controlling interest in the new joint venture that would explore acquisition opportunities in the automotive interior components sector, including a possible acquisition of all or a portion of Collins & Aikman Corporation. The proposed joint venture would involve all or a portion of our interior segment, but not our seating or electronic and electrical segments. Establishment of the proposed joint venture is subject to the negotiation and execution of definitive agreements and other conditions. In the event that we fail to achieve resolution on various matters in such negotiations, we will continue to explore other strategic alternatives with respect to this segment. No assurances can be given that the proposed joint venture will be completed on the terms contemplated or at all.

Demand for our products is directly related to automotive vehicle production. Automotive sales and production can be affected by general economic or industry conditions, labor relations issues, regulatory requirements, trade agreements and other factors. Our operating results are also significantly impacted by what is referred to in this section as "vehicle platform mix"; that is, the overall commercial success of the vehicle platforms for which we supply particular products, as well as our relative profitability on these platforms. A significant loss of business with respect to any vehicle model for which we are a significant supplier, or a decrease in the production levels of any such models, could have a material adverse impact on our future operating results. In addition, our two largest customers, General Motors and Ford, accounted for approximately 44% of our net sales in 2005, excluding net sales to Saab, Volvo, Jaguar and Land Rover, which are affiliates of General Motors or Ford. The automotive operations of both General Motors and Ford experienced significant operating losses in 2005 and recently announced restructuring actions, which could have a material impact on our future operating results.

Automotive industry conditions in North America and Europe continue to be challenging. In North America, the industry is characterized by significant overcapacity, fierce competition and significant pension and healthcare liabilities for the domestic automakers. In Europe, the market structure is more fragmented with significant overcapacity. We expect these challenging industry conditions to continue in the foreseeable future. During 2005, the domestic automakers lowered production levels on several of our key platforms, particularly within the traditional sport utility vehicle market segment. In addition, many of our key platforms in North America and Europe underwent model changeovers or refreshenings in 2005. As a result, our vehicle platform mix had a material adverse impact on our operating results in 2005, and we experienced a significant increase in launch costs. Launch costs are expected to moderate in 2006.

In 2005, the market share of certain of our key customers in both North America and Europe declined. There remains considerable uncertainty regarding our customers' production schedules in 2006. Historically, the majority of our sales have been derived from the U.S.-based automotive manufacturers in North America and, to a lesser extent, automotive manufacturers in Western Europe. As discussed below, our ability to increase sales in the future will depend, in part, on our ability to increase our penetration of Asian automotive manufacturers worldwide and leverage our existing North American and European customer base across all product lines. See Item 1A, "Risk Factors."

Our customers require us to reduce costs and, at the same time, assume significant responsibility for the design, development and engineering of our products. Our profitability is largely dependent on our ability to achieve product cost reductions through manufacturing efficiencies, product design enhancement and supply chain management. We also seek to enhance our profitability by investing in technology, design capabilities and new product initiatives that respond to the needs of our customers and consumers. We continually evaluate alternatives to align our business with the changing needs of our customers and to lower the operating costs of our Company.

In the second quarter of 2005, we began to implement consolidation and census actions in order to address unfavorable industry conditions. These actions continued in the third and fourth quarters of 2005 and are part of a comprehensive restructuring strategy intended to (i) better align our manufacturing capacity with the changing needs of our customers, (ii) eliminate excess capacity and lower our operating costs and (iii) streamline our organizational structure and reposition our business for improved long-term profitability. In connection with the restructuring actions, we expect to incur pretax costs of approximately $250 million, although all aspects of the restructuring actions have not been finalized. The restructuring actions recently announced by General Motors and Ford may require certain restructuring actions on our part that could increase the overall cost of our restructuring.

Our material cost as a percentage of net sales increased to 68.3% in 2005 from 65.5% in 2004. A substantial portion of this increase was the result of less favorable vehicle platform mix and increases in certain raw material, energy and commodity costs, as well as net selling price reductions. Increases in certain raw material, energy and commodity costs (principally steel, resins and other oil-based commodities) had a material adverse impact on our operating results in 2005. These conditions worsened as a result of the Gulf Coast storms in the third quarter of 2005. Unfavorable industry conditions have also resulted in financial distress within our supply base and an increase in commercial disputes and the risk of supply disruption. We have developed and implemented strategies to mitigate or partially offset the impact of higher raw material, energy and commodity costs, which include aggressive cost reduction actions, the utilization of our cost technology optimization process, the selective in-sourcing of components where we have available capacity, the continued consolidation of our supply base and the acceleration of low-cost country sourcing and engineering. However, due to the magnitude and duration of the increased raw material, energy and commodity costs, these strategies, together with commercial negotiations with our customers and suppliers, offset only a portion of the adverse impact. We expect that high raw material, energy and commodity costs will continue to have a material adverse impact on our operating results in the foreseeable future. See Item 1A, “Risk Factors — High raw material costs may continue to have a significant adverse impact on our profitability.”

In evaluating our financial condition and operating performance, we focus primarily on profitable sales growth and cash flows, as well as return on investment on a consolidated basis. In addition to maintaining and expanding our business with our existing customers in our more established markets, we have increased our emphasis on expanding our business in the Asian market (including sourcing activity in Asia) and with Asian automotive manufacturers worldwide. The Asian market presents growth opportunities, as automotive manufacturers expand production in this market to meet increasing demand. We currently have twelve joint ventures in China and several other joint ventures dedicated to serving Asian automotive manufacturers. We will continue to seek ways to expand our business in the Asian market and with Asian automotive manufacturers worldwide. In addition, we have improved our low-cost country manufacturing capabilities through expansion in Asia, Eastern Europe and Central America.

Our success in generating cash flow will depend, in part, on our ability to efficiently manage working capital. Working capital can be significantly impacted by the timing of cash flows from sales and purchases. In this regard, changes in certain customer payment terms had a one-time material adverse impact on our reported cash flows in 2005, but these changes are not expected to impact reported cash flows for full year 2006. Historically, we have been generally successful in aligning our vendor payment terms with our customer payment terms. However, our ability to continue to do so may be adversely impacted by the recent decline in our financial results and adverse industry conditions. In addition, our cash flow is also dependent on our ability to efficiently manage our capital spending. Capital spending, as well as expenditures for recoverable customer engineering and tooling, increased in 2005 as compared to prior years, primarily as a result of spending to support new program awards and investments in common seat architecture. Capital spending is expected to moderate in 2006.

We utilize return on investment as a measure of the efficiency with which assets are deployed to increase earnings. Improvements in our return on investment will depend on our ability to maintain an appropriate asset base for our business and to increase productivity and operating efficiency. The level of profitability and the return on investment of our interior segment is below that of our seating and electronic and electrical segments. Our interior segment continues to experience unfavorable operating results, primarily as a result of higher raw material costs, lower production volumes on key platforms, industry overcapacity, insufficient customer pricing and changes in certain customers' sourcing strategies. In 2005, we evaluated the carrying value of goodwill within our interior segment for potential impairment and recorded goodwill impairment charges of approximately $1.0 billion. We also concluded that certain fixed assets within our interior segment were materially impaired and recorded fixed asset impairment charges of $82 million.

In 2005, we incurred costs of $104 million related to the restructuring actions described above, including $89 million of restructuring charges and $15 million of manufacturing inefficiencies. In addition, we recognized aggregate charges of $47 million related to the divestiture of an equity investment in a non-core business and the capital restructuring of two previously unconsolidated affiliates. In 2004, we incurred estimated costs of $48 million related to facility closures and other similar actions. For further information regarding to these items, see "— Restructuring" and Note 3, "Restructuring," and Note 5, "Investments in Affiliates and Other Related Party Transactions," to the consolidated financial statements included in this Report.

During 2005, operating losses generated in the United States resulted in an increase in the carrying value of our deferred tax assets. In light of our recent operating performance in the United States and current industry conditions, we assessed, based upon all available evidence, whether it was more likely than not that we would realize our U.S. deferred tax assets. We concluded that it was no longer more likely than not that we would realize our U.S. deferred tax assets. As a result, in the fourth quarter of 2005, we recorded a tax charge of $300 million comprised of (i) a full valuation allowance of $255 million and (ii) an increase in related tax reserves of $45 million. Although the tax charge did not result in current cash expenditures, it did negatively impact net income, assets and stockholders' equity as of and for the year ended December 31, 2005. In the first quarter of 2005, we recorded a tax benefit of $18 million resulting from a tax law change in Poland. For further information related to income taxes, see Note 8, "Income Taxes," to the consolidated financial statements included in this Report.

This section includes forward-looking statements that are subject to risks and uncertainties. For further information related to other factors that have had, or may in the future have, a significant impact on our business, consolidated financial position or results of operations, see Item 1A, "Risk Factors," and "— Forward-Looking Statements."

Results of Operations

A summary of our operating results in millions of dollars and as a percentage of net sales is shown below:

For the Year Ended December 31,	2005		2004		2003	
Net sales						
Seating	$ 11,035.0	64.6%	$ 11,314.6	66.7%	$ 10,743.8	68.2%
Interior	3,097.6	18.1	2,965.0	17.5	2,817.1	17.9
Electronic and electrical	2,956.6	17.3	2,680.4	15.8	2,185.8	13.9
Net sales	17,089.2	100.0	16,960.0	100.0	15,746.7	100.0
Gross profit	736.0	4.3	1,402.1	8.3	1,346.4	8.6
Selling, general and administrative expenses	630.6	3.7	633.7	3.7	573.6	3.6
Goodwill impairment charges	1,012.8	5.9	—	—	—	—
Interest expense	183.2	1.1	165.5	1.0	186.6	1.2
Other expense, net	38.0	0.2	38.6	0.2	51.8	0.3
Provision for income taxes	194.3	1.1	128.0	0.8	153.7	1.0
Equity in net (income) loss of affiliates	51.4	0.3	(2.6)	—	(8.6)	(0.1)
Net income (loss)	(1,381.5)	(8.1)	422.2	2.5	380.5	2.4

Year Ended December 31, 2005, Compared With Year Ended December 31, 2004

Net sales for the year ended December 31, 2005, were $17.1 billion as compared to $17.0 billion for the year ended December 31, 2004, an increase of 0.8%. The impact of new business, net foreign exchange rate fluctuations and the acquisition of Grote & Hartmann favorably impacted net sales by $1.6 billion, $151 million and $120 million, respectively. These increases were largely offset by less favorable vehicle platform mix, particularly in North America, which reduced net sales by $1.8 billion.

Gross profit and gross margin were $736 million and 4.3% in 2005, as compared to $1.4 billion and 8.3% in 2004. The declines in gross profit and gross margin were largely due to less favorable vehicle platform mix and net selling price reductions, which collectively reduced gross profit by $578 million. Gross profit also declined by $134 million as a result of fixed asset impairment charges and costs related to restructuring actions. The benefit from new business and our productivity initiatives and other efficiencies was largely offset by the net impact of higher raw material and commodity costs and inefficiencies associated with increased program launch activity.

Selling, general and administrative expenses, including research and development, were $631 million for the year ended December 31, 2005, as compared to $634 million for the year ended December 31, 2004. As a percentage of net sales, selling, general and administrative expenses were 3.7% in 2005 and 2004. The decrease in selling, general and administrative expenses during the period was primarily due to a decline in compensation-related expenses and our overall cost control initiatives, as well as a decrease in research and development expenses. These decreases were largely offset by increases in litigation-related charges.

Research and development costs incurred in connection with the development of new products and manufacturing methods, to the extent not recoverable from the customer, are charged to selling, general and administrative expenses as incurred. Such costs totaled $174 million in 2005 and $198 million in 2004. In certain situations, the reimbursement of pre-production engineering, research and design costs is contractually guaranteed by, and fully recoverable from, our customers and is therefore capitalized. For the years ended December 31, 2005 and 2004, we capitalized $227 million and $245 million, respectively, of such costs.

Interest expense was $183 million in 2005 as compared to $166 million in 2004, primarily due to an increase in short-term interest rates and the interest component of litigation-related charges, partially offset by the refinancing of our primary credit facility and a portion of our senior notes at lower interest rates and a decrease in interest expense related to our use of factoring and asset-backed securitization facilities.

Other expense, which includes state and local non-income related taxes, foreign exchange gains and losses, gains and losses on the sales of fixed assets and other miscellaneous income and expense, was $38 million in 2005 as compared to $39 million in 2004.

Equity in net loss of affiliates was $51 million for the year ended December 31, 2005, as compared to equity in net income of affiliates of $3 million for the year ended December 31, 2004. In 2005, we divested an equity investment in a non-core business, recognizing a charge of $17 million. In December 2005, we also recognized a loss of $30 million related to two previously unconsolidated affiliates as a result of capital restructurings, changes in the investors and amendments to the related operating agreements.

The provision for income taxes was $194 million, representing an effective tax rate of negative 16.4%, for the year ended December 31, 2005, as compared to $128 million, representing an effective tax rate of 23.3%, for the year ended December 31, 2004. The decrease in the effective tax rate is primarily the result of the impact of the goodwill impairment charges for which no tax benefit was provided as this goodwill is nondeductible for tax purposes, as well as the tax charge related to our decision to provide a full valuation allowance with respect to our net U.S. deferred tax assets in the fourth quarter of 2005. No tax benefit was provided on the portion of the restructuring and litigation-related charges that were incurred in certain countries for which no tax benefit is likely to be realized due to a history of operating losses in those countries. These items were partially offset by a one-time benefit of $18 million in the first quarter of 2005 resulting from a tax law change in Poland.

Net loss in 2005 was $1.4 billion, or $20.57 per diluted share, as compared to net income of $422 million, or $5.77 per diluted share, in 2004, reflecting the goodwill impairment charges of $1.0 billion and the other factors described above. For further information related to our goodwill impairment charges, see Note 2, "Summary of Significant Account Policies," to the consolidated financial statements included in this Report.

Reportable Operating Segments

The financial information presented below is for our three reportable operating segments for the periods presented. These segments are: seating, which includes seat systems and the components thereof; interior, which includes instrument panels and cockpit systems, headliners and overhead systems, door panels, flooring and acoustic systems and other interior products; and electronic and electrical, which includes electronic products and electrical distribution systems, primarily wire harnesses and junction boxes; interior control and entertainment systems; and wireless systems. Financial measures regarding each segment's income (loss) before goodwill impairment charges, interest, other expense, provision for income taxes, minority interests in consolidated subsidiaries and equity in net (income) loss of affiliates ("segment earnings") and segment earnings divided by net sales ("margin") are not measures of performance under accounting principles generally accepted in the United States ("GAAP"). Such measures are presented because we evaluate the performance of our reportable operating segments, in part, based on income (loss) before goodwill impairment charges, interest, other expense and income taxes and the related margin. Segment earnings should not be considered in isolation or as a substitute for net income (loss), net cash provided by operating activities or other income statement or cash flow statement data prepared in accordance with GAAP or as measures of profitability or liquidity. In addition, segment earnings, as we determine it, may not be comparable to related or similarly titled measures reported by other companies. For a reconciliation of consolidated income before goodwill impairment charges, interest, other expense, provision for income taxes, minority interests in consolidated subsidiaries and equity in net (income) loss of affiliates to income (loss) before provision for income taxes, minority interests in consolidated subsidiaries and equity in net (income) loss of affiliates, see Note 11, "Segment Reporting," to the consolidated financial statements included in this Report.

Seating —

A summary of the financial measures for our seating segment is shown below (dollar amounts in millions):

For the Year Ended December 31,	2005	2004
Net sales	$ 11,035.0	$ 11,314.6
Segment earnings(1)	323.3	682.1
Margin	2.9%	6.0%

(1) See definition above.

Seating net sales were $11.0 billion for the year ended December 31, 2005, as compared to $11.3 billion for the year ended December 31, 2004, a decrease of $280 million or 2.5%. Less favorable vehicle platform mix and changes in production volumes, particularly in North America, reduced net sales by $1.4 billion. This decrease was partially offset by the impact of new business and net foreign exchange rate fluctuations, which improved net sales by $927 million and $145 million, respectively. Segment earnings and the related margin on net sales were $323 million and 2.9% in 2005 as compared to $682 million and 6.0% in 2004. The declines in segment earnings and the related margin were largely due to less favorable vehicle platform mix and changes in production volumes, which, collectively with the favorable impact of new business, negatively impacted segment earnings by $246 million. Segment earnings and the related margin were also negatively affected by the gross impact of higher raw material and commodity costs. The benefit from our productivity initiatives and other efficiencies was partially offset by the effect of net selling price reductions, inefficiencies associated with increased program launch activity and increases in litigation-related charges. In 2005, we also incurred costs related to our restructuring actions of $33 million. In 2004, we incurred estimated costs related to facility closures and other similar actions in the seating segment of $32 million.

Interior —

A summary of the financial measures for our interior segment is shown below (dollar amounts in millions):

For the Year Ended December 31,	2005	2004
Net sales	$ 3,097.6	$ 2,965.0
Segment earnings(1)	(191.1)	85.1
Margin	(6.2)%	2.9%

(1) See definition above.

Interior net sales were $3.1 billion for the year ended December 31, 2005, as compared to $3.0 billion for the year ended December 31, 2004, an increase of $133 million or 4.5%. The impact of new business improved net sales by $448 million. This increase was partially offset by less favorable vehicle platform mix and changes in production volumes, particularly in North America, which reduced net sales by $292 million. Segment earnings and the related margin on net sales were ($191) million and (6.2)% in 2005 as compared to $85 million and 2.9% in 2004. The declines in segment earnings and the related margin were largely due to the gross impact of higher raw material and commodity costs of approximately $110 million, which was partially offset by the benefit of productivity and cost reduction initiatives. Less favorable vehicle platform mix and changes in production volumes, collectively with the favorable impact of new business, reduced segment earnings by $107 million. Segment earnings and the related margin were also negatively affected by inefficiencies associated with program launch activity. In 2005, we also incurred fixed asset impairment charges and costs related to our restructuring actions of $114 million. In 2004, we incurred estimated costs related to facility closures and other similar actions in the interior segment of $4 million.

Electronic and Electrical —

A summary of the financial measures for our electronic and electrical segment is shown below (dollar amounts in millions):

For the Year Ended December 31,	2005	2004
Net sales	$ 2,956.6	$ 2,680.4
Segment earnings(1)	180.0	210.9
Margin	6.1%	7.9%

(1) See definition above.

Electronic and electrical net sales were $3.0 billion for the year ended December 31, 2005, as compared to $2.7 billion for the year ended December 31, 2004, an increase of $276 million or 10.3%. The impact of new business, net of selling price reductions, and the acquisition of Grote & Hartmann improved net sales by $139 million and $120 million, respectively. Segment earnings and the related margin on net sales were $180 million and 6.1% in 2005 as compared to $211 million and 7.9% in 2004. In 2005, we incurred costs related to our restructuring actions of $39 million. In 2004, we incurred estimated costs related to facility closures and other similar actions in the electronic and electrical segment of $12 million. The effect of net selling price reductions and inefficiencies associated with increased program launch activity was largely offset by the benefit from our productivity initiatives and other efficiencies. The acquisition of Grote & Hartmann favorably impacted segment earnings by $8 million.

Year Ended December 31, 2004, Compared With Year Ended December 31, 2003

Net sales for the year ended December 31, 2004, were $17.0 billion as compared to $15.7 billion for the year ended December 31, 2003, an increase of 7.7%. New business, net of selling price reductions, and net foreign exchange rate fluctuations increased net sales by $1,010 million and $748 million, respectively. Net sales also benefited from the net impact of our acquisitions and divestitures, which contributed $173 million to the increase. These increases were partially offset by changes in vehicle production volume and platform mix, which negatively impacted net sales by $718 million.

Gross profit and gross margin were $1,402 million and 8.3% in 2004, as compared to $1,346 million and 8.6% in 2003. The benefit from our productivity initiatives and other efficiencies and the impact of new business contributed $421 million and $90 million, respectively, to the increase in gross profit. Gross profit also benefited from the impact of net foreign exchange rate fluctuations and our acquisition of Grote & Hartmann. Gross profit was negatively affected by the net impact of customer and supplier commercial settlements, including selling price reductions, which, collectively with the impact of vehicle platform mix, reduced gross profit by $444 million. Gross profit was also negatively impacted by higher raw material and commodity costs, including increased steel and resin prices.

Selling, general and administrative expenses, including research and development, were $634 million for the year ended December 31, 2004, as compared to $574 million for the year ended December 31, 2003. As a percentage of net sales, selling, general and administrative expenses were 3.7% in 2004 and 3.6% in 2003. Our incremental investment in Asian infrastructure and new programs, net foreign exchange rate fluctuations and the impact of our acquisition of Grote & Hartmann contributed $24 million, $22 million and $20 million, respectively, to the increase in selling, general and administrative expenses.

Research and development costs incurred in connection with the development of new products and manufacturing methods, to the extent not recoverable from the customer, are charged to selling, general and administrative expenses as incurred. Such costs totaled $198 million in 2004 and $171 million in 2003. In certain situations, the reimbursement of pre-production engineering, research and design costs is contractually guaranteed by, and fully recoverable from, our customers and is therefore capitalized. For the years ended December 31, 2004 and 2003, we capitalized $245 million and $181 million, respectively, of such costs.

Interest expense was $166 million in 2004 as compared to $187 million in 2003. Lower interest rates, after giving effect to our hedging activities, favorably impacted interest expense by $22 million.

Other expense, which includes state and local non-income related taxes, foreign exchange gains and losses, gains and losses on the sales of fixed assets and other miscellaneous income and expense, was $39 million in 2004 as compared to $52 million in 2003. The primary reasons for the decrease were a reduction in losses on the sales of fixed assets and other miscellaneous expenses, which were partially offset by an increase in state and local non-income related taxes.

The provision for income taxes was $128 million, representing an effective tax rate of 23.3%, for the year ended December 31, 2004, as compared to $154 million, representing an effective tax rate of 28.8%, for the year ended December 31, 2003. Our overall tax planning strategy, as well as the mix of our earnings by country, has contributed to the decrease in the effective tax rate. The effective tax rates for 2004 and 2003 approximated the United States federal statutory income tax rate of 35%, adjusted for income taxes on foreign earnings, losses and remittances, valuation adjustments, research and development credits and other items, including the benefit from the settlement of prior years' tax matters. For further information related to income taxes, see Note 8, "Income Taxes," to the consolidated financial statements included in this Report.

Net income increased to $422 million, or $5.77 per diluted share, for the year ended December 31, 2004, as compared to $381 million, or $5.31 per diluted share, for the year ended December 31, 2003, for the reasons described above.

Reportable Operating Segments

The financial information presented below is for our three reportable operating segments for the periods presented. These segments are: seating, which includes seat systems and the components thereof; interior, which includes instrument panels and cockpit systems, headliners and overhead systems, door panels, flooring and acoustic systems and other interior products; and electronic and electrical, which includes electronic products and electrical distribution systems, primarily wire harnesses and junction boxes; interior control and entertainment systems; and wireless systems. Financial measures regarding each segment's income before interest, other expense, provision for income taxes, minority interests in consolidated subsidiaries and equity in net (income) loss of affiliates ("segment earnings") and segment earnings divided by net sales ("margin") are not measures of performance under accounting principles generally accepted in the United States ("GAAP"). Such measures are presented because we evaluate the performance of our reportable operating segments, in part, based on income before interest, other expense and income taxes and the related margin. Segment earnings should not be considered in isolation or as a substitute for net income, net cash provided by operating activities or other income statement or cash flow statement data prepared in accordance with GAAP or as measures of profitability or liquidity. In addition, segment earnings, as we determine it, may not be comparable to related or similarly titled measures reported by other companies. For a reconciliation of consolidated income before interest, other expense, provision for income taxes, minority interests in consolidated subsidiaries and equity in net (income) loss of affiliates to income before provision for income taxes, minority interests in consolidated subsidiaries and equity in net (income) loss of affiliates, see Note 11, "Segment Reporting," to the consolidated financial statements included in this Report.

Seating —

A summary of the financial measures for our seating segment is shown below (dollar amounts in millions):

For the Year Ended December 31,	2004	2003
Net sales	$ 11,314.6	$ 10,743.8
Segment earnings(1)	682.1	696.7
Margin	6.0%	6.5%

(1) See definition above.

Net sales were $11.3 billion for the year ended December 31, 2004, as compared to $10.7 billion for the year ended December 31, 2003, an increase of $571 million or 5.3%. New business, net of selling price reductions, net foreign exchange rate fluctuations and the impact of a seating acquisition in Korea favorably impacted net sales by $504 million, $528 million and $66 million, respectively. These increases were partially offset by the impact of vehicle production volume and platform mix, which reduced net sales by $527 million. Segment earnings and the related margin on net sales were $682 million and 6.0% in 2004 as compared to $697 million and 6.5% in 2003. Segment earnings and the related margin benefited from the impact of our productivity initiatives and other efficiencies, net of higher raw material and commodity costs, which contributed $161 million. This increase was more than offset by the impact of selling price reductions and changes in vehicle production volume and platform mix.

Interior —

A summary of the financial measures for our interior segment is shown below (dollar amounts in millions):

For the Year Ended December 31,	2004	2003
Net sales	$ 2,965.0	$ 2,817.1
Segment earnings(1)	85.1	104.0
Margin	2.9%	3.7%

(1) See definition above.

Net sales were $3.0 billion for the year ended December 31, 2004, as compared to $2.8 billion for the year ended December 31, 2003, an increase of $148 million or 5.3%. New business, net of selling price reductions, and net foreign exchange rate fluctuations favorably impacted net sales by $206 million and $93 million, respectively. These increases were partially offset by the impact of vehicle production volume and platform mix, as well as our divestitures, which decreased net sales by $108 million and $42 million, respectively. Segment earnings and the related margin on net sales were $85 million and 2.9% in 2004 as compared to $104 million and 3.7% in 2003. Segment earnings and the related margin benefited from our productivity initiatives and other efficiencies, net of higher raw material and commodity costs, which contributed $106 million. This increase was more than offset by the impact of selling price reductions and changes in vehicle production volume and platform mix.

Electronic and Electrical —

A summary of the financial measures for our electronic and electrical segment is shown below (dollar amounts in millions):

For the Year Ended December 31,	2004	2003
Net sales	$ 2,680.4	$ 2,185.8
Segment earnings(1)	210.9	200.2
Margin	7.9%	9.2%

(1) See definition above.

Net sales were $2.7 billion for the year ended December 31, 2004, as compared to $2.2 billion for the year ended December 31, 2003, an increase of $495 million or 22.6%. New business, net of selling price reductions, the impact of our acquisition of Grote & Hartmann and net foreign exchange rate fluctuations favorably impacted net sales by $300 million, $130 million and $134 million, respectively. These increases were partially offset by the impact of vehicle production volume and platform mix, which decreased net sales by $88 million. Segment earnings and the related margin on net sales were $211 million and 7.9% in 2004 as compared to $200 million and 9.2% in 2003. Segment earnings benefited from our productivity initiatives and other efficiencies, which contributed $21 million. The increase was largely offset by the impact of selling price reductions, net of the impact of new business. The decline in the related margin on net sales was primarily due to the impact of selling price reductions and the integration of our acquisition of Grote & Hartmann, partially offset by the benefit of our productivity initiatives and other efficiencies.

Restructuring

2005

In order to address unfavorable industry conditions, we began to implement consolidation and census actions in the second quarter of 2005. These actions are part of a comprehensive restructuring strategy intended to (i) better align our manufacturing capacity with the changing needs of our customers, (ii) eliminate excess capacity and lower our operating costs and (iii) streamline our organizational structure and reposition our business for improved long-term profitability.

In connection with the restructuring actions, we expect to incur pre-tax costs of approximately $250 million, although all aspects of the restructuring actions have not been finalized. Such costs will include employee termination benefits, asset impairment charges and contract termination costs, as well as other incremental costs resulting from the restructuring actions. These incremental restructuring costs will principally include equipment and personnel relocation costs. We also expect to incur incremental manufacturing inefficiency costs at the operating locations impacted by the restructuring actions during the related restructuring implementation period. Restructuring costs will be recognized in our consolidated financial statements in accordance with accounting principles generally accepted in the United States. Generally, charges will be recorded as elements of the restructuring strategy are finalized. Actual costs recorded in our consolidated financial statements may vary from current estimates.

In connection with our restructuring actions, we recorded restructuring and related manufacturing inefficiency charges of $104 million in 2005, including $100 million recorded as cost of sales and $6 million recorded as selling, general and administrative expenses. The remaining amounts include a gain on the sale of a facility, which is recorded as other expense, net. These charges resulted in cash expenditures of $67 million in 2005. The 2005 charges consist of employee termination benefits of $57 million for 643 salaried and 3,720 hourly employees, asset impairment charges of $15 million and contract termination costs of $13 million, as well as other costs of $4 million. We also estimate that we incurred approximately $15 million in manufacturing inefficiency costs during this period as a result of the restructuring. Employee termination benefits were recorded based on existing union and employee contracts, statutory requirements and completed negotiations. Asset impairment charges relate to the disposal of buildings, leasehold improvements and machinery and equipment with carrying values of $15 million in excess of related estimated fair values. Contract termination costs include lease cancellation costs of $3 million, which are expected to be paid through 2006, the repayment of various government-sponsored grants of $5 million, the termination of joint venture, subcontractor and other relationships of $3 million and pension and other postretirement benefit plan curtailments of $2 million.

2004 and 2003

In December 2003, we initiated actions affecting two of our U.S. seating facilities. As a result of these actions, we recorded charges of $26 million and $8 million in 2003 and 2004, respectively, for employee termination benefits and asset impairments. These actions were completed in the second quarter of 2004. In 2004, we also incurred $40 million in estimated costs related to additional facility consolidations and closures and census reductions.

Acquisition

On July 5, 2004, we completed the acquisition of the parent of GHW Grote & Hartmann GmbH ("Grote & Hartmann") for consideration of $160 million, including assumed debt of $86 million, subject to adjustment. This amount excludes the cost of integration, as well as other internal costs related to the transaction which were expensed as incurred. Grote & Hartmann was based in Wuppertal, Germany, and manufactured terminals and connectors, as well as junction boxes, primarily for the automotive industry.

The Grote & Hartmann acquisition was accounted for as a purchase, and accordingly, the assets purchased and liabilities assumed are included in the consolidated balance sheets as of December 31, 2005 and 2004. The operating results of Grote & Hartmann are included in the consolidated financial statements since the date of acquisition.

Liquidity and Financial Condition

Our primary liquidity needs are to fund capital expenditures, service indebtedness and support working capital requirements. In addition, approximately 90% of the costs associated with our current restructuring strategy are expected to require cash expenditures. Our principal sources of liquidity are cash flows from operating activities and borrowings under available credit facilities. A substantial portion of our operating income is generated by our subsidiaries. As a result, we are dependent on the earnings and cash flows of and the combination of dividends, distributions and advances from our subsidiaries to provide the funds necessary to meet our obligations. There are no significant restrictions on the ability of our subsidiaries to pay dividends or make other distributions to Lear. For further information regarding potential dividends from our non-U.S. subsidiaries, see Note 8, "Income Taxes," to the consolidated financial statements included in this Report.

Cash Flows

Net cash provided by operating activities was $561 million in 2005 as compared to $676 million in 2004. Net income (loss), excluding impairment charges, deferred tax provision (benefit) and equity in net (income) loss of affiliates, declined by $607 million between years. This decrease was largely offset by the net change in sold accounts receivable, which resulted in a $482 million increase in operating cash flows between the periods. Increases in accounts receivable and accounts payable were a use of $250 million and a source of $298 million of cash, respectively, in 2005, reflecting the timing of payments received from our customers and made to our suppliers.

Net cash used in investing activities was $531 million in 2005 as compared to $473 million in 2004. Capital spending was $568 million in 2005 as compared to $429 million in 2004. This increase was primarily a result of spending to support new program awards and investments in common seat architecture. The increase in net cash used in investing activities was partially offset by cash paid related to the acquisition of Grote & Hartmann in 2004. In 2006, capital spending is forecasted to be approximately $400 million.

Our financing activities were a use of $347 million of cash in 2005 as compared to a source of $166 million of cash in 2004, primarily as a result of the repayment of $600 million aggregate principal amount of 7.96% senior notes in 2005.

Capitalization

In addition to cash provided by operating activities, we utilize a combination of our amended and restated primary credit facility and long-term notes to fund our capital expenditures and working capital requirements. For the years ended December 31, 2005 and 2004, our average outstanding long-term debt balance, as of the end of each fiscal quarter, was $2.3 billion and $2.2 billion, respectively. The weighted average long-term interest rate, including rates under our committed credit facility and the effect of hedging activities, was 6.5% and 6.3% for the respective periods.

We utilize uncommitted lines of credit as needed for our short-term working capital fluctuations. For the years ended December 31, 2005 and 2004, our average outstanding unsecured short-term debt balance, as of the end of each fiscal quarter, was $38 million and $19 million, respectively. The weighted average interest rate was 3.7% and 2.8% for the respective periods. The availability of uncommitted lines of credit may be affected by our financial performance, credit ratings and other factors. Uncommitted lines of credit available from banks decreased by approximately $105 million from December 31, 2004, to December 31, 2005. See also "— Off-Balance Sheet Arrangements" and "— Accounts Receivable Factoring."

Amended and Restated Primary Credit Facility

On March 23, 2005, we entered into a $1.7 billion credit and guarantee agreement (the "primary credit facility"), which provides for maximum revolving borrowing commitments of $1.7 billion and matures on March 23, 2010. The primary credit facility replaced our existing $1.7 billion amended and restated credit facility, which was due to mature on March 26, 2006. On August 3, 2005, the primary credit facility was amended to (i) revise the leverage ratio covenant for the third quarter of 2005 through the first quarter of 2006, (ii) obtain the consent of the lenders to permit us to enter into a new 18-month term loan facility (the "term loan facility") with a principal amount of up to $400 million and (iii) provide for the pledge of the capital stock of certain of our material subsidiaries to secure our obligations under the primary credit facility and the term loan facility. On August 11, 2005, we entered into an amended and restated credit and guarantee agreement (the "amended and restated primary credit facility"). The amended and restated primary credit facility effectively combined our existing primary credit facility, as amended, with the new $400 million term loan facility with a maturity date of February 11, 2007. The amended and restated primary credit facility provides for multicurrency revolving borrowings in a maximum aggregate amount of $750 million, Canadian revolving borrowings in a maximum aggregate amount of $200 million and swing-line revolving borrowings in a maximum aggregate amount of $300 million, the commitments for which are part of the aggregate revolving credit facility commitment. As of December 31, 2005, we had $400 million in borrowings outstanding under the amended and restated primary credit facility, all of which were outstanding under our term loan facility, as well as $97 million committed under outstanding letters of credit.

Revolving borrowings under the amended and restated primary credit facility bear interest, payable no less frequently than quarterly, at (a) (1) applicable interbank rates, on Eurodollar and Eurocurrency loans, (2) the greater of the U.S. prime rate and the federal funds rate plus 0.50%, on base rate loans, (3) the greater of the rate publicly announced by the Canadian administrative agent and the federal funds rate plus 0.50%, on U.S. dollar denominated Canadian loans, (4) the greater of the prime rate announced by the Canadian administrative agent and the average Canadian interbank bid rate (CDOR) plus 1.0%, on Canadian dollar denominated Canadian loans, and (5) various published or quoted rates, on swing line and other loans, plus (b) a percentage spread ranging from 0% to 1.0%, depending on the type of loan and/or currency and our credit rating or leverage ratio. Borrowings under the term loan facility bear interest at a percentage spread ranging from 0.50% to 0.75% for alternate base rate loans and 1.50% to 1.75% for Eurodollar loans depending on our credit rating or leverage ratio. Under the amended and restated primary credit facility, we agree to pay a facility fee, payable quarterly, at rates ranging from 0.10% to 0.35%, depending on our credit rating or leverage ratio, and when applicable, a utilization fee.

Subsidiary Guarantees —

Our obligations under the amended and restated primary credit facility are guaranteed, on a joint and several basis, by certain of our subsidiaries, which are primarily domestic subsidiaries and all of which are directly or indirectly 100% owned by us. In addition, our obligations under the amended and restated primary credit facility are secured by the pledge of all or a portion of the capital stock of certain of our significant subsidiaries.

Covenants —

The amended and restated primary credit facility contains operating and financial covenants that, among other things, could limit our ability to obtain additional sources of capital. The principal financial covenants require that we maintain a leverage ratio of not more than 3.75 to 1 as of December 31, 2005, 3.50 to 1 as of April 1, 2006 and 3.25 to 1 as of the end of each quarter thereafter and an interest coverage ratio of not less than 3.5 to 1 as of the end of each quarter. These ratios are calculated on a trailing four quarter basis. The leverage and interest coverage ratios, as well as the related components of their computation, are defined in the amended and restated primary credit facility. The leverage ratio is calculated as the ratio of consolidated indebtedness (which is net of cash and excludes transactions related to our asset-backed securitization and factoring facilities) to consolidated operating profit (which excludes, among other things, certain impairments and certain restructurings, as discussed more fully in the amended and restated primary credit facility). The interest coverage ratio is calculated as the ratio of consolidated operating profit to consolidated interest expense. As of December 31, 2005, we were in compliance with all covenants and other requirements set forth in our amended and restated primary credit facility. Our leverage and interest coverage ratios were 2.7 to 1 and 4.2 to 1, respectively. The amended and restated primary credit facility does not require accelerated repayment in the event of a decline in our credit ratings (see "— Credit Ratings").

For further information related to our amended and restated primary credit facility described above, including the operating and financial covenants to which we are subject and related definitions, see Note 7, "Long-Term Debt," to the consolidated financial statements included in this Report and the agreement governing our amended and restated primary credit facility, which has been incorporated by reference as an exhibit to this Report.

Senior Notes

As of December 31, 2005, we had $1.8 billion of senior notes outstanding, consisting primarily of $399 million aggregate principal amount of senior notes due 2014, $300 million accreted value of zero-coupon convertible senior notes due 2022, Euro 250 million (approximately $296 million based on the exchange rate in effect as of December 31, 2005) aggregate principal amount of senior notes due 2008 and $800 million aggregate principal amount of senior notes due 2009. We repaid the $600 million senior notes due May 2005 at maturity with excess cash and borrowings under the primary credit facility.

In August 2004, we issued $400 million aggregate principal amount of unsecured 5.75% senior notes, which mature in 2014, yielding gross proceeds of $399 million. The notes are unsecured and rank equally with our other unsecured senior indebtedness, including our other senior notes. The proceeds from these notes were ultimately utilized to refinance a portion of the $600 million senior notes due May 2005. In April 2005, we completed an exchange offer of the 2014 Notes for substantially identical notes registered under the Securities Act of 1933, as amended.

Zero-Coupon Convertible Senior Notes —

In February 2002, we issued $640 million aggregate principal amount at maturity of zero-coupon convertible senior notes due 2022, yielding gross proceeds of $250 million. The notes are unsecured and rank equally with our other unsecured senior indebtedness, including our other senior notes. Each note of $1,000 principal amount at maturity was issued at a price of $391.06, representing a yield to maturity of 4.75%. Holders of the notes may convert their notes at any time on or before the maturity date at a conversion rate, subject to adjustment, of 7.5204 shares of our common stock per note, provided that the average per share price of our common stock for the 20 trading days immediately prior to the conversion date is at least a specified percentage, beginning at 120% upon issuance and declining 1/2% each year thereafter to 110% at maturity, of the accreted value of the note, divided by the conversion rate (the "Contingent Conversion Trigger"). The average per share price of our common stock for the 20 trading days immediately prior to December 31, 2005, was $28.01. As of December 31, 2005, the Contingent Conversion Trigger was $73.87. The notes are also convertible (1) if the long-term credit rating assigned to the notes by either Moody's Investors Service or Standard & Poor's Ratings Services is reduced below Ba3 or BB−, respectively, or either ratings agency withdraws its long-term credit rating assigned to the notes, (2) if we call the notes for redemption or (3) upon the occurrence of specified other events.

We have an option to redeem all or a portion of the notes for cash at their accreted value at any time on or after February 20, 2007. Should we exercise this option, holders of the notes could exercise their option to convert the notes into our common stock at the conversion rate, subject to adjustment, of 7.5204 shares per note. Holders may require us to purchase their notes on each of February 20, 2007, 2012 and 2017, as well as upon the occurrence of a fundamental change (as defined in the indenture governing the notes), at their accreted value on such dates. On August 26, 2004, we amended our outstanding zero-coupon convertible senior notes to require the settlement of any repurchase obligation with respect to the notes for cash only.

Subsidiary Guarantees —

Our obligations under the senior notes are guaranteed by the same subsidiaries that guarantee our obligations under the amended and restated primary credit facility. In the event that any such subsidiary ceases to be a guarantor under the amended and restated primary credit facility, such subsidiary will be released as a guarantor of the senior notes. Our obligations under the senior notes are not secured by the pledge of the capital stock of any of our subsidiaries.

Covenants —

Our senior notes contain covenants limiting our ability to incur liens and to enter into sale and leaseback transactions and limiting our ability to consolidate with, to merge with or into or to sell or otherwise dispose of all or substantially all of our assets to any person. As of December 31, 2005, we were in compliance with all covenants and other requirements set forth in our senior notes.

For further information related to our senior notes described above, see Note 7, "Long-Term Debt," to the consolidated financial statements included in this Report and the indentures governing our senior notes, which have been incorporated by reference as exhibits to this Report.

Contractual Obligations

Our scheduled maturities of long-term debt, including capital lease obligations, our scheduled interest payments on our outstanding debt and our lease commitments under non-cancelable operating leases as of December 31, 2005, are shown below (in millions):

	2006	2007	2008	2009	2010	Thereafter	Total
Long-term debt maturities	$ 9.4	$ 722.0(1)	$ 300.4	$ 799.8	$ 2.8	$ 418.1	$ 2,252.5
Interest payments on our outstanding debt	111.9	111.9	99.9	55.4	23.0	92.0	494.1
Lease commitments	113.5	68.7	58.4	51.0	43.4	49.7	384.7
Total	$ 234.8	$ 902.6	$ 458.7	$ 906.2	$ 69.2	$ 559.8	$ 3,131.3

(1) Our zero-coupon convertible senior notes are reflected in the contractual obligations table above at their book value of $300 million as of December 31, 2005. Their accreted value as of February 20, 2007 (the first date at which holders may require us to purchase their notes) will be $317 million.

Borrowings under our amended and restated primary credit facility bear interest at variable rates, and we utilize interest rate swap agreements to convert certain fixed rate obligations to variable rate. Therefore, an increase in interest rates would reduce our profitability. See "— Market Risk Sensitivity."

In addition to the obligations set forth above, we have capital requirements with respect to new programs. We enter into agreements with our customers to produce products at the beginning of a vehicle's life. Although such agreements do not provide for minimum quantities, once we enter into such agreements, we are generally required to fulfill our customers' purchasing requirements for the entire production life of the vehicle. Prior to being formally awarded a program, we typically work closely with our customers in the early stages of designing and engineering a vehicle's interior systems. Failure to complete the design and engineering work related to a vehicle's interior systems, or to fulfill a customer's contract, could adversely affect our business.

We also enter into agreements with suppliers to assist us in meeting our customers' production needs. These agreements vary as to duration and quantity commitments. Historically, most have been short-term agreements not providing for minimum purchases or are requirements-based contracts.

We also have minimum funding requirements with respect to our pension obligations. We expect to contribute approximately $65 million to our domestic and foreign pension plans in 2006 as compared to $49 million in 2005. Our minimum funding requirements after 2006 will depend on several factors, including the investment performance of our retirement plans and prevailing interest rates. Our funding obligations may also be affected by changes in applicable legal requirements. We also have payments due with respect to our postretirement benefit obligations. We do not fund our postretirement benefit obligations. Rather, payments are made as costs are incurred by covered retirees. We expect benefit payments to be approximately $9 million in 2006 as compared to $8 million in 2005. For further information related to our pension and other postretirement benefit plans, see "— Other Matters — Pension and Other Postretirement Benefit Plans" and Note 9, "Pension and Other Postretirement Benefit Plans," to the consolidated financial statements included in this Report.

Off-Balance Sheet Arrangements

Asset-Backed Securitization Facility — We have in place an asset-backed securitization facility (the "ABS facility"), which provides for maximum purchases of adjusted accounts receivable of $150 million as of December 31, 2005. As of December 31, 2005, accounts receivable in an aggregate amount of $150 million were sold under this facility. Although we utilized the ABS facility throughout 2004, as of December 31, 2004, there were no accounts receivable sold under this facility. The level of funding utilized under this facility is based on the credit ratings of our major customers, the level of aggregate accounts receivable in a specific month and our funding requirements. Should our major customers experience further reductions in their credit ratings, we may be unable to utilize the ABS facility in the future. Should this occur, we would intend to utilize our amended and restated primary credit facility to replace the funding currently provided by the ABS facility. In October 2005, the ABS facility was amended to extend the termination date from November 2005 to October 2006. No assurances can be given that the ABS facility will be extended upon its maturity. For further information related to the ABS facility, see Note 12, "Financial Instruments," to the consolidated financial statements included in this Report.

Guarantees and Commitments — We guarantee the residual value of certain of our leased assets. As of December 31, 2005, these guarantees totaled $27 million. In addition, we guarantee 39% of certain of the debt of Total Interior Systems — America, LLC, 40% of certain of the debt of Beijing Lear Dymos Automotive Seating and Interior Co., Ltd. and 60% of certain of the debt of Honduras Electrical Distribution Systems S. de R.L. de C.V. The percentages of debt guaranteed of these entities are based on our ownership percentages. As of December 31, 2005, the aggregate amount of debt guaranteed was approximately $29 million.

Accounts Receivable Factoring

Certain of our European and Asian subsidiaries periodically factor their accounts receivable with financial institutions. Such receivables are factored without recourse to us and are excluded from accounts receivable in our consolidated balance sheets. As of December 31, 2005, the amount of factored receivables was $256 million. As of December 31, 2004, there were no factored accounts receivable. We cannot provide any assurances that these factoring facilities will be available or utilized in the future.

Credit Ratings

The credit ratings below are not recommendations to buy, sell or hold our securities and are subject to revision or withdrawal at any time by the assigning rating organization. Each rating should be evaluated independently of any other rating.

The credit ratings of our senior unsecured debt as of the date of this Report are shown below. The ratings of Standard & Poor's Rating Services and Fitch Ratings are one level below investment grade. The rating of Moody's Investors Service is two levels below investment grade.

	Standard & Poor's Ratings Services	Moody's Investors Service	Fitch Ratings
Credit rating of senior unsecured debt	BB+	Ba2	BB+
Ratings outlook	Negative	Negative	Negative

Dividends

See Item 5, "Market for the Company's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities."

Common Stock Repurchase Program

In May 2002, our Board of Directors approved a common stock repurchase program which permitted the discretionary repurchase of up to 3.3 million shares of our outstanding common stock over an initial period of 24 months, as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2003. In May 2004, the program was extended until May 2006, as disclosed in our Quarterly Report on Form 10-Q for the quarter ended April 3, 2004. In 2004, we repurchased 1,834,300 shares of our outstanding common stock at an average purchase price of $53.26 per share, excluding commissions of $0.03 to $0.04 per share, under this program. In 2003, we repurchased 31,800 shares of our outstanding common stock at an average purchase price of $34.03 per share, excluding commissions of $0.04 per share, under this program.

In November 2004, our Board of Directors approved a new common stock repurchase program which permits the discretionary repurchase of up to 5,000,000 shares of our common stock through November 15, 2006, as disclosed in our Current Report on Form 8-K dated November 11, 2004. This stock repurchase program replaced the program described above. In 2005, we repurchased 490,900 shares of our outstanding common stock at an average purchase price of $51.72 per share, excluding commissions of $0.03 per share, under this program. In 2004, there were no shares of our common stock repurchased under this program. As of December 31, 2005, 4,509,100 shares of common stock were available for repurchase under the common stock repurchase program. The extent to which we will repurchase our common stock and the timing of such repurchases will depend upon prevailing market conditions, alternative uses of capital and other factors. See "— Forward-Looking Statements."

Adequacy of Liquidity Sources

We believe that cash flows from operations and available credit facilities will be sufficient to meet our liquidity needs, including capital expenditures and anticipated working capital requirements, for the foreseeable future. Certain of our debt will mature in the first quarter of 2007, and we are currently exploring refinancing alternatives. Our cash flows from operations, borrowing availability and overall liquidity are subject to risks and uncertainties. See Item 1A, "Risk Factors," "— Executive Overview" and "— Forward-Looking Statements."

Market Risk Sensitivity

In the normal course of business, we are exposed to market risk associated with fluctuations in foreign exchange rates and interest rates. We manage these risks through the use of derivative financial instruments in accordance with management's guidelines. We enter into all hedging transactions for periods consistent with the underlying exposures. We do not enter into derivative instruments for trading purposes.

Foreign Exchange

Operating results may be impacted by our buying, selling and financing in currencies other than the functional currency of our operating companies ("transactional exposure"). We mitigate this risk by entering into forward foreign exchange, futures and option contracts. The foreign exchange contracts are executed with banks that we believe are creditworthy. Gains and losses related to foreign exchange contracts are deferred and included in the measurement of the foreign currency transaction subject to the hedge. Gains and losses incurred related to foreign exchange contracts are generally offset by the direct effects of currency movements on the underlying transactions.

Our most significant foreign currency transactional exposures relate to the Mexican peso, the Canadian dollar and the Euro. We have performed a quantitative analysis of our overall currency rate exposure as of December 31, 2005. The potential earnings benefit related to net transactional exposures from a hypothetical 10% strengthening of the U.S. dollar relative to all other currencies for 2006 is approximately $16 million. The potential earnings benefit related to net transactional exposures from a similar strengthening of the Euro relative to all other currencies for 2006 is approximately $2 million.

As of December 31, 2005, foreign exchange contracts representing $2.0 billion of notional amount were outstanding with maturities of less than twelve months. As of December 31, 2005, the fair market value of these contracts was approximately $0 million. A 10% change in the value of the U.S. dollar relative to all other currencies would result in a $34 million change in the aggregate fair market value of these contracts. A 10% change in the value of the Euro relative to all other currencies would result in a $44 million change in the aggregate fair market value of these contracts.

There are certain shortcomings inherent in the sensitivity analysis presented. The analysis assumes that all currencies would uniformly strengthen or weaken relative to the U.S. dollar or Euro. In reality, some currencies may strengthen while others may weaken, causing the earnings impact to increase or decrease depending on the currency and the direction of the rate movement.

In addition to the transactional exposure described above, our operating results are impacted by the translation of our foreign operating income into U.S. dollars ("translation exposure"). In 2005, net sales outside of the United States accounted for 63% of our consolidated net sales. We do not enter into foreign exchange contracts to mitigate this exposure.

Interest Rates

We use a combination of fixed and variable rate debt and interest rate swap contracts to manage our exposure to interest rate movements. Our exposure to variable interest rates on outstanding variable rate debt instruments indexed to United States or European Monetary Union short-term money market rates is partially managed by the use of interest rate swap contracts to convert certain variable rate debt obligations to fixed rate, matching effective and maturity dates to specific debt instruments. We also utilize interest rate swap contracts to convert certain fixed rate debt obligations to variable rate, matching effective and maturity dates to specific debt instruments. All of our interest rate swap contracts are executed with banks that we believe are creditworthy and are denominated in currencies that match the underlying debt instrument. Net interest payments or receipts from interest rate swap contracts are included as adjustments to interest expense in our consolidated statements of operations on an accrual basis.

We have performed a quantitative analysis of our overall interest rate exposure as of December 31, 2005. This analysis assumes an instantaneous 100 basis point parallel shift in interest rates at all points of the yield curve. The potential adverse earnings impact from this hypothetical increase for 2006 is approximately $12 million.

As of December 31, 2005, interest rate swap contracts representing $600 million of notional amount were outstanding with maturity dates of September 2007 through May 2009. Of these outstanding contracts, $300 million are designated as fair value hedges and modify the fixed rate characteristics of our outstanding 8.11% senior notes due May 2009. The remaining $300 million are designated as cash flow hedges and modify the variable rate characteristics of our variable rate debt instruments. The fair market value of all outstanding interest rate swap contracts is subject to changes in value due to changes in interest rates. As of December 31, 2005, the fair market value of these contracts was approximately negative $10 million. A 100 basis point parallel shift in interest rates would result in a $6 million change in the aggregate fair market value of these contracts.

Commodity Prices

We have commodity price risk with respect to purchases of certain raw materials, including steel, leather, resins, chemicals and diesel fuel. In limited circumstances, we have used financial instruments to mitigate this risk.

Increases in certain raw material, energy and commodity costs (principally steel, resins and other oil-based commodities) had a material adverse impact on our operating results in 2005. These conditions worsened as a result of the Gulf Coast storms in the third quarter of 2005. Unfavorable industry conditions have also resulted in financial distress within our supply base and an increase in commercial disputes and the risk of supply disruption. We have developed and implemented strategies to mitigate or partially offset the impact of higher raw material, energy and commodity costs, which include aggressive cost reduction actions, the utilization of our cost technology optimization process, the selective in-sourcing of components where we have available capacity, the continued consolidation of our supply base and the acceleration of low-cost country sourcing and engineering. However, due to the magnitude and duration of the increased raw material, energy and commodity costs, these strategies, together with commercial negotiations with our customers and suppliers, offset only a portion of the adverse impact. We expect that high raw material, energy and commodity costs will continue to have a material adverse impact on our operating results in the foreseeable future. See Item 1A, "Risk Factors — High raw material costs may continue to have a significant adverse impact on our profitability," and "— Forward-Looking Statements."

For further information related to the financial instruments described above, see Note 7, "Long-Term Debt," and Note 12, "Financial Instruments," to the consolidated financial statements included in this Report.

Other Matters

Legal and Environmental Matters

We are involved from time to time in legal proceedings and claims, including, without limitation, commercial or contractual disputes with our suppliers and competitors. Largely as a result of generally unfavorable industry conditions and financial distress within the automotive supply base, we experienced an increase in commercial and contractual disputes, particularly with our suppliers. These disputes vary in nature and are usually resolved by negotiations between the parties.

On January 29, 2002, Seton Company ("Seton"), one of our leather suppliers, filed a suit alleging that we had breached a purported agreement to purchase leather from Seton for seats for the life of the General Motors GMT 800 program. Seton filed the lawsuit in the U.S. District Court for the Eastern District of Michigan seeking compensatory and exemplary damages totaling approximately $97 million, plus interest, on breach of contract and promissory estoppel claims. In May 2005, this case proceeded to trial, and the jury returned a $30 million verdict against us. On September 27, 2005, the Court denied our post-trial motions challenging the judgment and granted Seton's motion to award prejudgment interest in the amount of approximately $5 million. We are appealing the judgment and the interest award.

On January 26, 2004, we filed a patent infringement lawsuit against Johnson Controls Inc. and Johnson Controls Interiors LLC (together, "JCI") in the U.S. District Court for the Eastern District of Michigan alleging that JCI's garage door opener products infringed certain of our radio frequency transmitter patents. JCI counterclaimed seeking a declaratory judgment that the subject patents are invalid and unenforceable, and that JCI is not infringing these patents. JCI also has filed motions for summary judgment asserting that its garage door opener products do not infringe our patents. We are vigorously pursuing our claims against JCI and discovery is on-going. A trial in the case is currently scheduled for the second quarter of 2006.

After we filed our patent infringement action against JCI, affiliates of JCI sued one of our vendors and certain of the vendor's employees in Ottawa Circuit Court, Michigan, on July 8, 2004, alleging misappropriation of trade secrets. The suit alleges that the defendants misappropriated and shared with us trade secrets involving JCI's universal garage door opener product. JCI seeks to enjoin the defendants from selling or attempting to sell a competing product. We are not a defendant in this lawsuit; however, the agreements between us and the defendants contain customary indemnification provisions. We do not believe that our garage door opener product benefited from any allegedly misappropriated trade secrets or technology. However, JCI has sought discovery of certain information which we believe is confidential and proprietary, and we have intervened in the case for the limited purpose of protecting our rights with respect to JCI's discovery efforts. Discovery has been extended to July 2006. A trial date has not yet been scheduled.

On June 13, 2005, The Chamberlain Group ("Chamberlain") filed a lawsuit against us and Ford Motor Company ("Ford") in the Northern District of Illinois alleging patent infringement. Two counts were asserted against us and Ford based upon Chamberlain's rolling code security system patent and a related product which operates transmitters to actuate garage door openers. Two additional counts were asserted against Ford only (not us) based upon different Chamberlain patents. The Chamberlain lawsuit was filed in connection with the marketing of our universal garage door opener system, which competes with a product offered by JCI. JCI obtained technology from Chamberlain to operate its product. In October 2005, JCI joined the lawsuit as a plaintiff along with Chamberlain, and Chamberlain dismissed its infringement claims against Ford based upon its rolling security system patent. JCI and Chamberlain have filed a motion for a preliminary injunction, which we are contesting. We are vigorously defending the claims asserted in this lawsuit. A trial date has not yet been scheduled.

We are subject to local, state, federal and foreign laws, regulations and ordinances which govern activities or operations that may have adverse environmental effects and which impose liability for clean-up costs resulting from past spills, disposals or other releases of hazardous wastes and environmental compliance. Our policy is to comply with all applicable environmental laws and to maintain an environmental management program based on ISO 14001 to ensure compliance. However, we currently are, have been and in the future may become the subject of formal or informal enforcement actions or procedures.

We have been named as a potentially responsible party at several third-party landfill sites and are engaged in the cleanup of hazardous waste at certain sites owned, leased or operated by us, including several properties acquired in our 1999 acquisition of UT Automotive, Inc. ("UT Automotive"). Certain present and former properties of UT Automotive are subject to environmental liabilities which may be significant. We obtained agreements and indemnities with respect to certain environmental liabilities from United Technologies Corporation ("UTC") in connection with our acquisition of UT Automotive. UTC manages and directly funds these environmental liabilities pursuant to its agreements and indemnities with us.

While we do not believe that the environmental liabilities associated with our current and former properties will have a material adverse effect on our business, consolidated financial position or results of operations, no assurances can be given in this regard.

One of our subsidiaries and certain predecessor companies were named as defendants in an action filed by three plaintiffs in August 2001 in the Circuit Court of Lowndes County, Mississippi, asserting claims stemming from alleged environmental contamination caused by an automobile parts manufacturing plant located in Columbus, Mississippi. The plant was acquired by us as part of our acquisition of UT Automotive in May 1999 and sold almost immediately thereafter, in June 1999, to Johnson Electric Holdings Limited ("Johnson Electric"). In December 2002, 61 additional cases were filed by approximately 1,000 plaintiffs in the same court against us and other defendants relating to similar claims. In September 2003, we were dismissed as a party to these cases. In the first half of 2004, we were named again as a defendant in these same 61 additional cases and were also named in five new actions filed by approximately 150 individual plaintiffs related to alleged environmental contamination from the same facility. The plaintiffs in these actions are persons who allegedly were either residents and/or owned property near the facility or worked at the facility. In November 2004, two additional lawsuits were filed by 28 plaintiffs (individuals and organizations), alleging property damage as a result of the alleged contamination. Each of these complaints seeks compensatory and punitive damages.

All of the plaintiffs have dismissed their claims for health effects and personal injury damages without prejudice. There is the potential that these plaintiffs could seek separate counsel to re-file their personal injury claims. Currently, there are approximately 270 plaintiffs remaining in the lawsuits who are proceeding with property damage claims only. In March 2005, the venue for these lawsuits was transferred from Lowndes County, Mississippi, to Lafayette County, Mississippi. In April 2005, certain plaintiffs filed an amended complaint alleging negligence, nuisance, intentional tort and conspiracy claims and seeking compensatory and punitive damages. In April 2005, the court scheduled the first trial date for the first group of plaintiffs to commence March 2006. The March 2006 trial date has since been continued until a date to be set by the court, and discovery has extended into the first quarter of 2006.

UTC, the former owner of UT Automotive, and Johnson Electric have each sought indemnification for losses associated with the Mississippi claims from us under the respective acquisition agreements, and we have claimed indemnification from them under the same agreements. To date, no company admits to, or has been found to have, an obligation to fully defend and indemnify any other. We intend to vigorously defend against these claims and believe that we will eventually be indemnified by either UTC or Johnson Electric for a substantial portion of the resulting losses, if any. However, the ultimate outcome of these matters is unknown.

In January 2004, the Securities and Exchange Commission (the "SEC") commenced an informal inquiry into our September 2002 amendment of our 2001 Form 10-K. The amendment was filed to report our employment of relatives of certain of our directors and officers and certain related party transactions. The SEC's inquiry does not relate to our consolidated financial statements. In February 2005, the staff of the SEC informed us that it proposed to recommend to the SEC that it issue an administrative "cease and desist" order as a result of our failure to disclose the related party transactions in question prior to the amendment of our 2001 Form 10-K. We expect to consent to the entry of the order as part of a settlement of this matter.

In February 2006, we received a subpoena from the SEC in connection with an ongoing investigation of General Motors Corporation by the SEC. This investigation has been previously reported by General Motors as involving, among other things, General Motors' accounting for payments and credits by suppliers. The SEC subpoena seeks the production of documents relating to payments or credits by us to General Motors from 2001 to the present. We are cooperating with the SEC in connection with this matter.

Although we record reserves for legal, product warranty and environmental matters in accordance with Statement of Financial Accounting Standards ("SFAS") No. 5, "Accounting for Contingencies," the outcomes of these matters are inherently uncertain. Actual results may differ significantly from current estimates. See Item 1A, "Risk Factors." For further information regarding legal and environmental matters, see Item 3, "Legal Proceedings."

Certain Tax Matters

UT Automotive

Prior to our acquisition of UT Automotive from UTC in May 1999, one of our subsidiaries purchased the stock of a UT Automotive subsidiary. In connection with the acquisition, we agreed to indemnify UTC for certain tax consequences if the Internal Revenue Service (the "IRS") overturned UTC's tax treatment of the transaction. The IRS proposed an adjustment to UTC's tax treatment of the transaction seeking an increase in tax of approximately $88 million, excluding interest. In April 2005, a protest objecting to the proposed adjustment was filed with the IRS. The case was then referred to the Appeals Office of the IRS for an independent review. There have been several meetings and discussions with the IRS Appeals personnel in an attempt to resolve the case. Although we believe that valid support exists for UTC's tax positions, we and UTC are currently in settlement negotiations with the IRS. An indemnity payment by us to UTC for the ultimate amount due to the IRS would constitute an adjustment to the purchase price and resulting goodwill of the UT Automotive acquisition, if and when made, and would not be expected to have a material effect on our reported earnings.

American Jobs Creation Act of 2004

In October 2004, the American Jobs Creation Act of 2004 ("the Act") was signed into law. The Act created a temporary incentive for U.S. corporations to repatriate earnings from foreign subsidiaries by providing an 85% dividends received deduction for certain dividends from controlled foreign corporations to the extent the dividends exceed a base amount and are invested in the United States pursuant to a domestic reinvestment plan. The temporary incentive was available to us until December 31, 2005. The amount of our dividends potentially eligible for the deduction was limited to $500 million.

After completing our evaluation, we decided not to pursue dividends under the repatriation provision of the Act due to numerous tax and treasury considerations. This decision had no effect on our provision for income taxes for the year ended December 31, 2005.

Significant Accounting Policies and Critical Accounting Estimates

Our significant accounting policies are more fully described in Note 2, "Summary of Significant Accounting Policies," to the consolidated financial statements included in this Report. Certain of our accounting policies require management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on our historical experience, the terms of existing contracts, our evaluation of trends in the industry, information provided by our customers and suppliers and information available from other outside sources, as appropriate. However, they are subject to an inherent degree of uncertainty. As a result, actual results in these areas may differ significantly from our estimates.

We consider an accounting estimate to be critical if it requires us to make assumptions about matters that were uncertain at the time the estimate was made and changes in the estimate would have had a significant impact on our consolidated financial position or results of operations.

Pre-Production Costs Related to Long-Term Supply Arrangements

We incur pre-production engineering, research and development ("ER&D") and tooling costs related to the products produced for our customers under long-term supply agreements. We expense all pre-production ER&D costs for which reimbursement is not contractually guaranteed by the customer. In addition, we expense all pre-production tooling costs related to customer-owned tools for which reimbursement is not contractually guaranteed by the customer or for which the customer has not provided a non-cancelable right to use the tooling. During 2005 and 2004, we capitalized $227 million and $245 million, respectively, of pre-production ER&D costs for which reimbursement is contractually guaranteed by the customer. During 2005 and 2004, we also capitalized $639 million and $396 million, respectively, of pre-production tooling costs related to customer-owned tools for which reimbursement is contractually guaranteed by the customer or for which the customer has provided a non-cancelable right to use the tooling. During 2005 and 2004, we collected $716 million and $646 million, respectively, of cash related to ER&D and tooling costs.

Gains and losses related to ER&D and tooling projects are reviewed on an aggregate program basis. Net gains on projects are deferred and recognized over the life of the related long-term supply agreement. Net losses on projects are recognized as costs are incurred.

A change in the commercial arrangements affecting any of our significant programs that would require us to expense ER&D or tooling costs that we currently capitalize could have a material adverse impact on our operating results.

Goodwill

As of December 31, 2005 and 2004, we had recorded goodwill of approximately $1.9 billion and $3.0 billion, respectively. Goodwill is not amortized but is tested for impairment on at least an annual basis. Impairment testing is required more often than annually if an event or circumstance indicates that an impairment, or decline in value, may have occurred. In conducting our impairment testing, we compare the fair value of each of our reporting units to the related net book value. If the fair value of a reporting unit exceeds its net book value, goodwill is considered not to be impaired. If the net book value of a reporting unit exceeds its fair value, an impairment loss is measured and recognized. We conduct our annual impairment testing on the first day of the fourth quarter each year.

We utilize an income approach to estimate the fair value of each of our reporting units. The income approach is based on projected debt-free cash flow which is discounted to the present value using discount factors that consider the timing and risk of cash flows. We believe that this approach is appropriate because it provides a fair value estimate based upon the reporting unit's expected long-term operating cash flow performance. This approach also mitigates the impact of cyclical downturns that occur in the industry. Fair value is estimated using recent automotive industry and specific platform production volume projections, which are based on both third-party and internally-developed forecasts, as well as commercial, wage and benefit, inflation and discount rate assumptions. Other significant assumptions include terminal value growth rates, terminal value margin rates, future capital expenditures and changes in future working capital requirements. While there are inherent uncertainties related to the assumptions used and to management's application of these assumptions to this analysis, we believe that the income approach provides a reasonable estimate of the fair value of our reporting units.

During the third quarter of 2005, events occurred which indicated a significant decline in the fair value of our interior segment, as well as an impairment of the related goodwill. These events included unfavorable operating results, primarily as a result of higher raw material costs, lower production volumes on key platforms, industry overcapacity, insufficient customer pricing and changes in certain customers' sourcing strategies, as well as our decision to evaluate strategic alternatives with respect to this segment. As of the end of the third quarter of 2005, we evaluated the net book value of goodwill within our interior segment by comparing the fair value of the reporting unit to the related net book value. As a result, we recorded an estimated goodwill impairment charge of $670 million in the third quarter of 2005.

During the fourth quarter of 2005, additional events occurred which indicated a further decline in the fair value of our interior segment. These events included a further deterioration of the commercial outlook for this segment, as well as an updated assessment of our ability to recover the increase in the costs associated with resin-based raw materials in North America. We updated the fair value estimate for this segment and finalized the implied fair value of goodwill pursuant to asset valuation and allocation procedures. As a result, we recorded an additional goodwill impairment charge of $343 million in the fourth quarter of 2005.

The annual impairment testing for our remaining segments was completed as of October 2, 2005, and there was no additional impairment.

Long-Lived Assets

We monitor our long-lived assets for impairment indicators on an ongoing basis in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." If impairment indicators exist, we perform the required analysis and record impairment charges in accordance with SFAS No. 144. In conducting our analysis, we compare the undiscounted cash flows expected to be generated from the long-lived assets to the related net book values. If the undiscounted cash flows exceed the net book value, the long-lived assets are considered not to be impaired. If the net book value exceeds the undiscounted cash flows, an impairment loss is measured and recognized. An impairment loss is measured as the difference between the net book value and the fair value of the long-lived assets. Fair value is estimated based upon either discounted cash flow analyses or estimated salvage values. Cash flows are estimated using internal budgets based on recent sales data, independent automotive production volume estimates and customer commitments, as well as assumptions related to discount rates. Changes in economic or operating conditions impacting these estimates and assumptions could result in the impairment of long-lived assets.

During the third and fourth quarters of 2005, we evaluated the net book value of the fixed assets of certain operating locations within our interior segment. As a result, we recorded impairment charges of $82 million. Consistent with the goodwill impairment charges, the fixed asset impairment charges are due to the unfavorable operating results of our interior segment, as well as the deterioration of the commercial outlook for this segment. Also in 2005, we recorded fixed asset impairment charges of $15 million in conjunction with our restructuring actions. We have certain other facilities that have generated operating losses in recent years. The results of the related impairment analyses indicated that impairment of the fixed assets was not required. However, we will continue to monitor the operating plans of these facilities for potential impairment.

In 2004, we recorded impairment charges of $3 million related to certain facility consolidations. In 2003, we recorded impairment charges of $5 million related to certain facility consolidations and impairment charges of $6 million related to other facility closures, an early program termination and ongoing losses at certain of our facilities.

These fixed asset impairment charges are recorded in cost of sales in the consolidated statements of operations for the years ended December 31, 2005, 2004 and 2003.

Restructuring

Accruals have been recorded in conjunction with our restructuring actions, as well as the integration of acquired businesses. These accruals include estimates primarily related to facility consolidations and closures, census reductions and contract termination costs. Actual costs may vary from these estimates. Restructuring-related accruals are reviewed on a quarterly basis, and changes to the restructuring actions are appropriately recognized when identified.

Legal and Other Contingencies

We are subject to legal proceedings and claims, including product liability claims, commercial or contractual disputes, environmental enforcement actions and other claims that arise in the normal course of business. We routinely assess the likelihood of any adverse judgments or outcomes to these matters, as well as ranges of probable losses, by consulting with internal personnel principally involved with such matters and with our outside legal counsel handling such matters. We have accrued for estimated losses in accordance with accounting principles generally accepted in the United States for those matters where we believe that the likelihood that a loss has occurred is probable and the amount of loss is reasonably estimable. The determination of the amount of such reserves is based on knowledge and experience with regard to past and current matters and consultation with internal personnel principally involved with such matters and with our outside legal counsel handling such matters. The reserves may change in the future due to new developments or changes in circumstances. The inherent uncertainty related to the outcome of these matters can result in amounts materially different from any provisions made with respect to their resolution.

Pension and Other Postretirement Benefit Plans

Approximately 20% of our active workforce is covered by defined benefit pension plans. Approximately 10% of our active workforce is covered by other postretirement benefit plans. Pension plans provide benefits based on plan-specific benefit formulas as defined by the applicable plan documents. Postretirement benefit plans generally provide for the continuation of medical benefits for all eligible employees. We also have contractual arrangements with certain employees which provide for supplemental retirement benefits. In general, our policy is to fund our pension benefit obligation based on legal requirements, tax considerations and local practices. We do not fund our postretirement benefit obligation.

As of December 31, 2005 (based on a September 30, 2005 measurement date), our projected benefit obligations related to our pension and other postretirement benefit plans were $788 million and $266 million, respectively, and our unfunded pension and other postretirement benefit obligations were $314 million and $266 million, respectively. These benefit obligations were valued using a weighted average discount rate of 5.75% and 5.70% for domestic pension and other postretirement benefit plans, respectively, and 5.00% and 5.30% for foreign pension and other postretirement benefit plans, respectively. The determination of the discount rate is based on the construction of a hypothetical bond portfolio consisting of high-quality fixed income securities with durations that match the timing of expected benefit payments. Changes in the selected discount rate could have a material impact on our projected benefit obligations and the underfunded status of our pension and other postretirment benefit plans. Decreasing the discount rate by 1% would have increased the projected benefit obligations and underfunded status of our pension and other postretirement benefit plans by approximately $155 million and $50 million, respectively.

For the year ended December 31, 2005, pension and other postretirement net periodic benefit cost was $58 million and $29 million, respectively, and was determined using a variety of actuarial assumptions. Pension net periodic benefit cost in 2005 was calculated using a weighted average discount rate of 6.00% for both domestic and foreign plans and an expected return on plan assets of 7.75% and 7.00% for domestic and foreign plans, respectively. The expected return on plan assets is determined based on several factors, including adjusted historical returns, historical risk premiums for various asset classes and target asset allocations within the portfolio. Adjustments made to the historical returns are based on recent return experience in the equity and fixed income markets and the belief that deviations from historical returns are likely over the relevant investment horizon. Other postretirement net periodic benefit cost was calculated in 2005 using a discount rate of 6.00% and 6.50% for domestic and foreign plans, respectively. Adjustments to our actuarial assumptions could have a material adverse impact on our operating results. Decreasing the discount rate by 1% would have increased pension and other postretirement periodic net benefit cost by approximately $14 million and approximately $5 million, respectively, for the year ended December 31, 2005. Decreasing the expected return on plan assets by 1% would have increased pension net periodic benefit cost by approximately $4 million for the year ended December 31, 2005.

Aggregate pension and other postretirement net periodic benefit cost is forecasted to be approximately $97 million in 2006. This estimate is based on a weighted average discount rate of 5.75% and 5.00% for domestic and foreign pension plans, respectively, and 5.70% and 5.30% for domestic and foreign other postretirement benefit plans, respectively. Actual cost is also dependent on various other factors related to the employees covered by these plans.

We expect to contribute approximately $65 million to our domestic and foreign pension plans in 2006. Contributions to our pension plans are consistent with minimum funding requirements of the relevant governmental authorities. We may make contributions in excess of these minimums when we believe it is financially advantageous to do so and based on our other capital requirements.

For further information related to our pension and other postretirement benefit plans, see Note 9, "Pension and Other Postretirement Benefit Plans," to the consolidated financial statements included in this Report.

Revenue Recognition and Sales Commitments

We enter into agreements with our customers to produce products at the beginning of a vehicle's life. Although such agreements do not provide for minimum quantities, once we enter into such agreements, we are generally required to fulfill our customers' purchasing requirements for the entire production life of the vehicle. These agreements generally may be terminated by our customer at any time. Historically, terminations of these agreements have been minimal. In certain limited instances, we may be committed under existing agreements to supply products to our customers at selling prices which are not sufficient to cover the direct cost to produce such products. In such situations, we recognize losses as they are incurred.

We receive blanket purchase orders from our customers on an annual basis. Generally, each purchase order provides the annual terms, including pricing, related to a particular vehicle model. Purchase orders do not specify quantities. We recognize revenue based on the pricing terms included in our annual purchase orders as our products are shipped to our customers. We are asked to provide our customers with annual cost reductions as part of certain agreements. We accrue for such amounts as a reduction of revenue as our products are shipped to our customers. In addition, we have ongoing adjustments to our pricing arrangements with our customers based on the related content, the cost of our products and other commercial factors. Such pricing accruals are adjusted as they are settled with our customers.

Amounts billed to customers related to shipping and handling are included in net sales in our consolidated statements of operations. Shipping and handling costs are included in cost of sales in our consolidated statements of operations.

Income Taxes

In determining the provision for income taxes for financial statement purposes, we make certain estimates and judgments, which affect our evaluation of the carrying value of our deferred tax assets, as well as our calculation of certain tax liabilities. In accordance with SFAS No. 109, "Accounting for Income Taxes," we evaluate the carrying value of our deferred tax assets on a quarterly basis. In completing this evaluation, we consider all available evidence. Such evidence includes historical results, expectations for future pretax operating income, the time period over which our temporary differences will reverse and the implementation of feasible and prudent tax planning strategies.

During 2005, operating losses generated in the United States resulted in an increase in the carrying value of our deferred tax assets. In light of our recent operating performance in the United States and current industry conditions, we assessed, based upon all available evidence, whether it was more likely than not that we would realize our U.S. deferred tax assets. We concluded that it was no longer more likely than not that we would realize our U.S. deferred tax assets. As a result, in the fourth quarter of 2005, we recorded a tax charge of $300 million comprised of (i) a full valuation allowance of $255 million and (ii) an increase in related tax reserves of $45 million. Although the tax charge did not result in current cash expenditures, it did negatively impact net income, assets and stockholders' equity as of and for the year ended December 31, 2005. As of December 31, 2005, we recorded a U.S. valuation allowance of $255 million and a valuation allowance for certain foreign tax jurisdictions of

$223 million. We intend to maintain these allowances until it is more likely than not that the deferred tax assets will be realized. Our future income tax expense will be reduced to the extent of decreases in our valuation allowances.

In addition, the calculation of our tax benefits and liabilities includes uncertainties in the application of complex tax regulations in a multitude of jurisdictions across our global operations. We recognize tax benefits and liabilities based on our estimate of whether, and the extent to which, additional taxes will be due. We adjust these liabilities based on changing facts and circumstances; however, due to the complexity of some of these uncertainties and the impact of any tax audits, the ultimate resolutions may be materially different from our estimated liabilities. For further information related to income taxes, see Note 8, "Income Taxes," to the consolidated financial statements included in this Report.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. During 2005, there were no material changes in the methods or policies used to establish estimates and assumptions. Generally, matters subject to estimation and judgment include amounts related to accounts receivable realization, inventory obsolescence, asset impairments, unsettled pricing discussions with customers and suppliers, restructuring accruals, deferred tax asset valuation allowances and income taxes, pension and other postretirement benefit plan assumptions, accruals related to litigation, warranty and environmental remediation costs and self-insurance accruals. Actual results may differ from estimates provided.

Recently Issued Accounting Pronouncements

Inventory Costs

The Financial Accounting Standards Board ("FASB") issued SFAS No. 151, "Inventory Costs — an amendment of ARB No. 43, Chapter 4." This statement clarifies the requirement that abnormal inventory-related costs be recognized as current-period charges and requires that the allocation of fixed production overheads to inventory conversion costs be based on the normal capacity of the production facilities. The provisions of this statement are to be applied prospectively to inventory costs incurred during fiscal years beginning after June 15, 2005. We do not expect the effects of adoption to be significant.

Nonmonetary Assets

The FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets — an amendment of APB Opinion No. 29." APB Opinion No. 29, in general, requires the use of fair value as the measurement basis for exchanges of nonmonetary assets. This statement eliminates the exception to the fair value measurement principle for nonmonetary exchanges of similar productive assets and replaces it with a general exception for nonmonetary asset exchanges that lack commercial substance. The provisions of this statement are to be applied prospectively to nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. We do not expect the effects of adoption to be significant.

Stock-Based Compensation

The FASB issued a revised SFAS No. 123, "Share-Based Payment." This statement requires that all share-based payments to employees be recognized in the financial statements based on their grant-date fair value. Under previous guidance, companies had the option of recognizing the fair value of stock-based compensation in the consolidated financial statements or disclosing the proforma impact of stock-based compensation on the consolidated statement of operations in the notes to the consolidated financial statements. As described in Note 2, "Summary of Significant Accounting Policies," to the consolidated financial statements included in this Report, we adopted the fair value recognition provisions of SFAS No. 123 for all employee awards issued after January 1, 2003. The revised statement is effective at the beginning of the first annual period beginning after June 15, 2005, and provides two methods of adoption, the modified-prospective method and the modified-retrospective method. We anticipate adopting the revised statement using the modified-prospective method. We are currently evaluating the provisions of the revised statement but do not expect the impact of adoption to be significant.

Conditional Asset Retirement Obligations

The FASB issued Interpretation ("FIN") No. 47, "Accounting for Conditional Asset Retirement Obligations." FIN 47 requires the accrual of costs related to legal obligations to perform certain activities in connection with the retirement, disposal or abandonment of assets. The effects of adoption were not significant.

Financial Instruments

The FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments — an amendment of FASB Statements No. 133 and 140." This statement resolves issues related to the application of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," to beneficial interests in securitized assets. The provisions of this statement are to be applied prospectively to all financial instruments acquired or issued during fiscal years beginning after September 15, 2006. We are currently evaluating the provisions of this statement but do not expect the effects of adoption to be significant.

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by us or on our behalf. The words "will," "may," "designed to," "outlook," "believes," "should," "anticipates," "plans," "expects," "intends," "estimates" and similar expressions identify these forward-looking statements. All statements contained or incorporated in this Report which address operating performance, events or developments that we expect or anticipate may occur in the future, including statements related to business opportunities, awarded sales contracts, sales backlog and net income per share growth or statements expressing views about future operating results, are forward-looking statements. Important factors, risks and uncertainties that may cause actual results to differ from those expressed in our forward-looking statements include, but are not limited to:

- general economic conditions in the markets in which we operate, including changes in interest rates;
- fluctuations in the production of vehicles for which we are a supplier;
- labor disputes involving us or our significant customers or suppliers or that otherwise affect us;
- our ability to achieve cost reductions that offset or exceed customer-mandated selling price reductions;
- the outcome of customer productivity negotiations;
- the impact and timing of program launch costs;
- the costs and timing of facility closures, business realignment or similar actions;
- increases in our warranty or product liability costs;
- risks associated with conducting business in foreign countries;
- competitive conditions impacting our key customers and suppliers;

- raw material costs and availability;
- our ability to mitigate the significant impact of recent increases in raw material, energy and commodity costs;
- the outcome of legal or regulatory proceedings to which we are or may become a party;
- unanticipated changes in cash flow;
- the finalization of our restructuring strategy;
- the outcome of various strategic alternatives being evaluated with respect to our interior segment; and
- other risks, described in Item 1A, “Risk Factors,” and from time to time in our other SEC filings.

Finally, the proposed joint venture between us and WL Ross & Co. LLC with respect to our interior segment is subject to the negotiation and execution of definitive agreements and other conditions. No assurances can be given that the proposed joint venture will be completed on the terms contemplated or at all.

The forward-looking statements in this Report are made as of the date hereof, and we do not assume any obligation to update, amend or clarify them to reflect events, new information or circumstances occurring after the date hereof.

ITEM 8 —*CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA*

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Lear Corporation

We have audited the accompanying consolidated balance sheets of Lear Corporation and Subsidiaries (the Company) as of December 31, 2005 and 2004, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2005. Our audits also included the financial statement schedule for the three years in the period ended December 31, 2005, included in Item 8. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2005 and 2004, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule for the three years in the period ended December 31, 2005, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of calculating diluted net income per share in accordance with Emerging Issues Task Force Issue No. 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share," effective December 15, 2004.

We have also audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 6, 2006, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Troy, Michigan
March 6, 2006

Report of Independent Registered Public Accounting Firm on Internal Controls over Financial Reporting

To the Board of Directors and Shareholders of
Lear Corporation

We have audited management's assessment, included in Management's Annual Report on Internal Control Over Financial Reporting included in Item 9A(b), that Lear Corporation and Subsidiaries (the Company) maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2005 and 2004, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2005, and the related financial statement schedule for the three years in the period ended December 31, 2005, and our report dated March 6, 2006, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Troy, Michigan
March 6, 2006

LEAR CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31,	2005	2004
	(In millions, except share data)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 207.6	$ 584.9
Accounts receivable	2,337.6	2,584.9
Inventories	688.2	621.2
Recoverable customer engineering and tooling	317.7	205.8
Other	295.3	375.2
Total current assets	3,846.4	4,372.0
Long-Term Assets:		
Property, plant and equipment, net	2,019.3	2,019.8
Goodwill, net	1,939.8	3,039.4
Other	482.9	513.2
Total long-term assets	4,442.0	5,572.4
	$ 8,288.4	$ 9,944.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term borrowings	$ 23.4	$ 35.4
Accounts payable and drafts	2,993.5	2,777.6
Accrued employee benefits	168.5	244.3
Other accrued liabilities	911.9	957.8
Current portion of long-term debt	9.4	632.8
Total current liabilities	4,106.7	4,647.9
Long-Term Liabilities:		
Long-term debt	2,243.1	1,866.9
Other	827.6	699.5
Total long-term liabilities	3,070.7	2,566.4
Stockholders' Equity:		
Common stock, par value $0.01 per share, 150,000,000 shares authorized, 73,281,653 shares and 73,147,178 shares issued as of December 31, 2005 and 2004, respectively	0.7	0.7
Additional paid-in capital	1,108.6	1,064.4
Common stock held in treasury, 6,094,847 shares and 5,730,476 shares as of December 31, 2005 and 2004, respectively, at cost	(225.5)	(204.1)
Retained earnings	361.8	1,810.5
Accumulated other comprehensive income (loss)	(134.6)	58.6
Total stockholders' equity	1,111.0	2,730.1
	$ 8,288.4	$ 9,944.4

The accompanying notes are an integral part of these consolidated financial statements.

LEAR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Year Ended December 31,	2005	2004	2003
	(In millions, except per share data)		
Net sales	$ 17,089.2	$ 16,960.0	$ 15,746.7
Cost of sales	16,353.2	15,557.9	14,400.3
Selling, general and administrative expenses	630.6	633.7	573.6
Goodwill impairment charges	1,012.8	—	—
Interest expense	183.2	165.5	186.6
Other expense, net	38.0	38.6	51.8
Income (loss) before provision for income taxes, minority interests in consolidated subsidiaries and equity in net (income) loss of affiliates	(1,128.6)	564.3	534.4
Provision for income taxes	194.3	128.0	153.7
Minority interests in consolidated subsidiaries	7.2	16.7	8.8
Equity in net (income) loss of affiliates	51.4	(2.6)	(8.6)
Net income (loss)	$ (1,381.5)	$ 422.2	$ 380.5
Basic net income (loss) per share	$ (20.57)	$ 6.18	$ 5.71
Diluted net income (loss) per share	$ (20.57)	$ 5.77	$ 5.31

The accompanying notes are an integral part of these consolidated financial statements.

LEAR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

December 31,	2005	2004	2003
	(In millions, except share data)		
Common Stock			
Balance at beginning and end of period	$ 0.7	$ 0.7	$ 0.7
Additional Paid-in Capital			
Balance at beginning of period	$ 1,064.4	$ 1,027.7	$ 943.6
Stock-based compensation	43.8	26.4	66.6
Tax benefit of stock options exercised	0.4	10.3	17.5
Balance at end of period	$ 1,108.6	$ 1,064.4	$ 1,027.7
Treasury Stock			
Balance at beginning of period	$ (204.1)	$ (110.8)	$ (111.4)
Purchases of 490,900 shares at an average price of $51.75	(25.4)	—	—
Issuances of 126,529 shares at an average price of $31.99	4.0		
Purchases of 1,834,300 shares at an average price of $53.29 per share	—	(97.7)	—
Issuances of 395,126 shares at an average price of $11.12 per share in settlement of stock-based compensation	—	4.4	—
Purchases of 31,800 shares at an average price of $34.07 per share	—	—	(1.1)
Issuances of 102,828 shares at an average price of $17.08 per share in settlement of stock-based compensation	—	—	1.7
Balance at end of period	$ (225.5)	$ (204.1)	$ (110.8)
Retained Earnings			
Balance at beginning of period	$ 1,810.5	$ 1,441.8	$ 1,075.8
Net income (loss)	(1,381.5)	422.2	380.5
Dividends declared of $1.00 per share in 2005, $0.80 per share in 2004 and $0.20 per share in 2003	(67.2)	(53.5)	(14.5)
Balance at end of period	$ 361.8	$ 1,810.5	$ 1,441.8
Accumulated Other Comprehensive Income (Loss)			
Minimum Pension Liability			
Balance at beginning of period	$ (72.6)	$ (62.2)	$ (48.9)
Minimum pension liability adjustments	(42.4)	(10.4)	(13.3)
Balance at end of period	$ (115.0)	$ (72.6)	$ (62.2)
Derivative Instruments and Hedging Activities			
Balance at beginning of period	$ 17.4	$ (13.7)	$ (26.5)
Derivative instruments and hedging activities adjustments	(8.4)	31.1	12.8
Balance at end of period	$ 9.0	$ 17.4	$ (13.7)
Cumulative Translation Adjustments			
Balance at beginning of period	$ 65.6	$ (61.5)	$ (187.5)
Cumulative translation adjustments	(152.4)	127.1	126.0
Balance at end of period	$ (86.8)	$ 65.6	$ (61.5)
Deferred Income Tax Asset			
Balance at beginning of period	$ 48.2	$ 35.5	$ 16.5
Deferred income tax asset adjustments	10.0	12.7	19.0
Balance at end of period	$ 58.2	$ 48.2	$ 35.5
Accumulated other comprehensive income (loss)	$ (134.6)	$ 58.6	$ (101.9)
Total Stockholders' Equity	$ 1,111.0	$ 2,730.1	$ 2,257.5
Comprehensive Income (Loss)			
Net income (loss)	$ (1,381.5)	$ 422.2	$ 380.5
Minimum pension liability adjustments	(42.4)	(10.4)	(13.3)
Derivative instruments and hedging activities adjustments	(8.4)	31.1	12.8
Cumulative translation adjustments	(152.4)	127.1	126.0
Deferred income tax asset adjustments	10.0	12.7	19.0
Comprehensive Income (Loss)	$ (1,574.7)	$ 582.7	$ 525.0

The accompanying notes are an integral part of these consolidated financial statements.

LEAR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Year Ended December 31,	2005	2004	2003
		(In millions)	
Cash Flows from Operating Activities:			
Net income (loss)	$ (1,381.5)	$ 422.2	$ 380.5
Adjustments to reconcile net income to net cash provided by operating activities — Goodwill impairment charges	1,012.8	—	—
Fixed asset impairment charges	97.4	3.0	11.2
Deferred tax provision (benefit)	44.7	8.7	(33.1)
Equity in net (income) loss of affiliates	51.4	(2.6)	(8.6)
Depreciation and amortization	393.4	355.1	321.8
Net change in recoverable customer engineering and tooling	(112.5)	(32.5)	(7.6)
Net change in working capital items	9.7	(62.4)	158.0
Other, net	34.3	54.8	62.2
Net cash provided by operating activities before net change in sold accounts receivable	149.7	746.3	884.4
Net change in sold accounts receivable	411.1	(70.4)	(298.1)
Net cash provided by operating activities	560.8	675.9	586.3
Cash Flows from Investing Activities:			
Additions to property, plant and equipment	(568.4)	(429.0)	(375.6)
Cost of acquisitions, net of cash acquired	(11.8)	(103.0)	(13.7)
Net proceeds from disposition of businesses and other assets	43.6	56.3	33.7
Other, net	5.3	3.2	8.8
Net cash used in investing activities	(531.3)	(472.5)	(346.8)
Cash Flows from Financing Activities:			
Issuance (repayment) of senior notes	(600.0)	399.2	—
Primary credit facility borrowings (repayments), net	400.0	—	(132.8)
Other long-term debt borrowings (repayments), net	(32.7)	(49.4)	(10.3)
Short-term debt repayments, net	(23.8)	(29.8)	(24.0)
Dividends paid	(67.2)	(68.0)	—
Proceeds from exercise of stock options	4.7	24.4	66.4
Repurchase of common stock	(25.4)	(97.7)	(1.1)
Decrease in drafts	(3.3)	(12.6)	(56.8)
Other, net	0.7	—	—
Net cash provided by (used in) financing activities	(347.0)	166.1	(158.6)
Effect of foreign currency translation	(59.8)	46.1	(3.3)
Net Change in Cash and Cash Equivalents	(377.3)	415.6	77.6
Cash and Cash Equivalents at Beginning of Year	584.9	169.3	91.7
Cash and Cash Equivalents at End of Year	$ 207.6	$ 584.9	$ 169.3
Changes in Working Capital:			
Accounts receivable	$ (250.3)	$ (147.7)	$ (196.5)
Inventories	(76.9)	(7.0)	(27.4)
Accounts payable	298.1	189.8	318.0
Accrued liabilities and other	38.8	(97.5)	63.9
Net change in working capital items	$ 9.7	$ (62.4)	$ 158.0
Supplementary Disclosure:			
Cash paid for interest	$ 172.6	$ 153.5	$ 177.3
Cash paid for income taxes, net of refunds received of $76.7 in 2005, $52.7 in 2004 and $52.5 in 2003	$ 112.7	$ 140.0	$ 203.7

The accompanying notes are an integral part of these consolidated financial statements.

Lear Corporation and Subsidiaries

Notes to Consolidated Financial Statements

(1) Basis of Presentation

The consolidated financial statements include the accounts of Lear Corporation ("Lear" or the "Parent"), a Delaware corporation and the wholly owned and less than wholly owned subsidiaries controlled by Lear (collectively, the "Company"). In addition, Lear consolidates variable interest entities in which it bears a majority of the risk of the entities' potential losses or stands to gain from a majority of the entities' expected returns. Investments in affiliates in which Lear does not have control, but does have the ability to exercise significant influence over operating and financial policies, are accounted for under the equity method (Note 5, "Investments in Affiliates and Other Related Party Transactions").

The Company and its affiliates design and manufacture interior systems and components for automobiles and light trucks. The Company's main customers are automotive original equipment manufacturers. The Company operates facilities worldwide (Note 11, "Segment Reporting").

(2) Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of ninety days or less.

Accounts Receivable

The Company records accounts receivable as its products are shipped to its customers. The Company's customers are the major automotive manufacturers in the world. The Company records accounts receivable reserves for known collectibility issues, as such issues relate to specific transactions or customer balances. As of December 31, 2005 and 2004, accounts receivable are reflected net of reserves of $23.3 million and $26.7 million, respectively. The Company writes off accounts receivable when it becomes apparent based upon age or customer circumstances that such amounts will not be collected. Generally, the Company does not require collateral for its accounts receivable.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. Finished goods and work-in-process inventories include material, labor and manufacturing overhead costs. The Company records inventory reserves for inventory in excess of production and/or forecasted requirements and for obsolete inventory in production and service inventories. As of December 31, 2005 and 2004, inventories are reflected net of reserves of $93.6 million and $86.4 million, respectively. A summary of inventories is shown below (in millions):

December 31,	2005	2004
Raw materials	$ 511.3	$ 487.8
Work-in-process	47.8	43.8
Finished goods	129.1	89.6
Inventories	$ 688.2	$ 621.2

Pre-Production Costs Related to Long-Term Supply Arrangements

The Company incurs pre-production engineering, research and development ("ER&D") and tooling costs related to the products produced for its customers under long-term supply agreements. The Company expenses all pre-production ER&D costs for which reimbursement is not contractually guaranteed by the customer. In addition, the Company expenses all pre-production tooling costs related to customer-owned tools for which reimbursement is not contractually guaranteed by the customer or for which the customer has not provided a non-cancelable right to

Lear Corporation and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

use the tooling. During 2005 and 2004, the Company capitalized $227.2 million and $244.9 million, respectively, of pre-production ER&D costs for which reimbursement is contractually guaranteed by the customer. During 2005 and 2004, the Company also capitalized $638.6 million and $396.3 million, respectively, of pre-production tooling costs related to customer-owned tools for which reimbursement is contractually guaranteed by the customer or for which the customer has provided a non-cancelable right to use the tooling. These amounts are included in recoverable customer engineering and tooling and other long-term assets in the consolidated balance sheets. During 2005 and 2004, the Company collected $715.8 and $646.0 million, respectively, of cash related to ER&D and tooling costs.

During 2005 and 2004, the Company capitalized $44.4 million and $45.0 million, respectively, of Company-owned tooling. These amounts are included in property, plant and equipment, net, in the consolidated balance sheets.

The classification of capitalized pre-production ER&D and tooling costs related to long-term supply agreements is shown below (in millions):

December 31,	2005	2004
Current	$ 317.7	$ 205.8
Long-term	223.2	245.1
Recoverable customer engineering and tooling	$ 540.9	$ 450.9

Gains and losses related to ER&D and tooling projects are reviewed on an aggregate program basis. Net gains on projects are deferred and recognized over the life of the long-term supply agreement. Net losses on projects are recognized as costs are incurred.

Property, Plant and Equipment

Property, plant and equipment is stated at cost. Depreciable property is depreciated over the estimated useful lives of the assets, using principally the straight-line method as follows:

Buildings and improvements	20 to 40 years
Machinery and equipment	5 to 15 years

A summary of property, plant and equipment is shown below (in millions):

December 31,	2005	2004
Land	$ 140.3	$ 138.6
Buildings and improvements	701.1	759.2
Machinery and equipment	3,006.3	2,844.7
Construction in progress	70.5	52.8
Total property, plant and equipment	3,918.2	3,795.3
Less — accumulated depreciation	(1,898.9)	(1,775.5)
Net property, plant and equipment	$ 2,019.3	$ 2,019.8

Depreciation expense was $388.5 million, $350.6 million and $321.8 million for the years ended December 31, 2005, 2004 and 2003, respectively.

Goodwill

Goodwill is not amortized but is tested for impairment on at least an annual basis. Impairment testing is required more often than annually if an event or circumstance indicates that an impairment, or decline in value, may have occurred. In conducting its impairment testing, the Company compares the fair value of each of its reporting units to the related net book value. If the fair value of a reporting unit exceeds its net book value, goodwill is considered not to be impaired. If the net book value of a reporting unit exceeds its fair value, an impairment loss is measured and recognized. The Company conducts its annual impairment testing on the first day of the fourth quarter each year.

The Company utilizes an income approach to estimate the fair value of each of its reporting units. The income approach is based on projected debt-free cash flow which is discounted to the present value using discount factors that consider the timing and risk of cash flows. The Company believes that this approach is appropriate because it provides a fair value estimate based upon the reporting unit's expected long-term operating cash flow performance. This approach also mitigates the impact of cyclical downturns that occur in the industry. Fair value is estimated using recent automotive industry and specific platform production volume projections, which are based on both third-party and internally-developed forecasts, as well as commercial, wage and benefit, inflation and discount rate assumptions. Other significant assumptions include terminal value growth rates, terminal value margin rates, future capital expenditures and changes in future working capital requirements. While there are inherent uncertainties related to the assumptions used and to management's application of these assumptions to this analysis, the Company believes that the income approach provides a reasonable estimate of the fair value of its reporting units.

During the third quarter of 2005, events occurred which indicated a significant decline in the fair value of the Company's interior segment, as well as an impairment of the related goodwill. These events included unfavorable operating results, primarily as a result of higher raw material costs, lower production volumes on key platforms, industry overcapacity, insufficient customer pricing and changes in certain customers' sourcing strategies, as well as the Company's decision to evaluate strategic alternatives with respect to this segment. As of the end of the third quarter of 2005, the Company evaluated the net book value of goodwill within its interior segment by comparing the fair value of the reporting unit to the related net book value. As a result, the Company recorded an estimated goodwill impairment charge of $670.0 million in the third quarter of 2005.

During the fourth quarter of 2005, additional events occurred which indicated a further decline in the fair value of the Company's interior segment. These events included a further deterioration of the commercial outlook for this segment, as well as an updated assessment of the Company's ability to recover the increase in the costs associated with resin-based raw materials in North America. The Company updated the fair value estimate for this segment and finalized the implied fair value of goodwill pursuant to asset valuation and allocation procedures. As a result, the Company recorded an additional goodwill impairment charge of $342.8 million in the fourth quarter of 2005.

The annual impairment testing for the Company's remaining segments was completed as of October 2, 2005, and there was no additional impairment.

A summary of the changes in the carrying amount of goodwill, by reportable operating segment, for each of the two years in the period ended December 31, 2005, is shown below (in millions):

	Seating	Interior	Electronic and Electrical	Total
Balance as of January 1, 2004	$ 1,023.4	$ 1,022.9	$ 893.8	$ 2,940.1
Acquisition	—	—	35.0	35.0
Foreign currency translation and other	52.3	(5.1)	17.1	64.3
Balance as of December 31, 2004	$ 1,075.7	$ 1,017.8	$ 945.9	$ 3,039.4
Goodwill impairment charges	—	(1,012.8)	—	(1,012.8)
Foreign currency translation and other	(41.5)	(5.0)	(40.3)	(86.8)
Balance as of December 31, 2005	$ 1,034.2	$ —	$ 905.6	$ 1,939.8

Lear Corporation and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

Intangible Assets

The Company's intangible assets acquired through business acquisitions are valued based on independent appraisals. A summary of intangible assets as of December 31, 2005 and 2004, is shown below (in millions):

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted Average Useful Life (years)
Technology	$ 2.8	$ (0.4)	$ 2.4	10.0
Customer contracts	20.8	(4.9)	15.9	7.7
Customer relationships	27.2	(2.4)	24.8	18.8
Balance as of December 31, 2005	$ 50.8	$ (7.7)	$ 43.1	14.2

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted Average Useful Life (years)
Technology	$ 2.2	$ (0.1)	$ 2.1	10.0
Customer contracts	24.8	(3.2)	21.6	7.7
Customer relationships	28.2	(1.2)	27.0	20.0
Balance as of December 31, 2004	$ 55.2	$ (4.5)	$ 50.7	14.4

Excluding the impact of any future acquisitions, the Company's estimated annual amortization expense is approximately $4.5 million in each of the five succeeding years.

Long-Lived Assets

The Company monitors its long-lived assets for impairment indicators on an ongoing basis in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." If impairment indicators exist, the Company performs the required analysis and records impairment charges in accordance with SFAS No. 144. In conducting its analysis, the Company compares the undiscounted cash flows expected to be generated from the long-lived assets to the related net book values. If the undiscounted cash flows exceed the net book value, the long-lived assets are considered not to be impaired. If the net book value exceeds the undiscounted cash flows, an impairment loss is measured and recognized. An impairment loss is measured as the difference between the net book value and the fair value of the long-lived assets. Fair value is estimated based upon either discounted cash flow analyses or estimated salvage values. Cash flows are estimated using internal budgets based on recent sales data, independent automotive production volume estimates and customer commitments, as well as assumptions related to discount rates. Changes in economic or operating conditions impacting these estimates and assumptions could result in the impairment of long-lived assets.

During the third and fourth quarters of 2005, the Company evaluated the net book value of the fixed assets of certain operating locations within its interior segment. As a result, the Company recorded impairment charges of $82.3 million. Consistent with the goodwill impairment charges, the fixed asset impairment charges are due to the unfavorable operating results of the Company's interior segment, as well as the deterioration of the commercial outlook for this segment. Also in 2005, the Company recorded fixed asset impairment charges of $15.1 million in conjunction with its restructuring actions (Note 3, "Restructuring"). The Company has certain other facilities that have generated operating losses in recent years. The results of the related impairment analyses indicated that impairment of the fixed assets was not required. However, the Company will continue to monitor the operating plans of these facilities for potential impairment.

In 2004, the Company recorded impairment charges of $3.0 million related to certain facility consolidations (Note 3, "Restructuring"). In 2003, the Company recorded impairment charges of $5.3 million related to certain facility consolidations (Note 3, “Restructuring”) and impairment charges of $5.9 million related to other facility closures, an early program termination and ongoing losses at certain of our facilities.

These fixed asset impairment charges are recorded in cost of sales in the consolidated statements of operations for the years ended December 31, 2005, 2004 and 2003.

Revenue Recognition and Sales Commitments

The Company enters into agreements with its customers to produce products at the beginning of a vehicle’s life. Although such agreements do not provide for minimum quantities, once the Company enters into such agreements, the Company is generally required to fulfill its customers’ purchasing requirements for the entire production life of the vehicle. These agreements generally may be terminated by the customer at any time. Historically, terminations of these agreements have been minimal. In certain limited instances, the Company may be committed under existing agreements to supply products to its customers at selling prices which are not sufficient to cover the direct cost to produce such products. In such situations, the Company recognizes losses as they are incurred.

The Company receives blanket purchase orders from its customers on an annual basis. Generally, each purchase order provides the annual terms, including pricing, related to a particular vehicle model. Purchase orders do not specify quantities. The Company recognizes revenue based on the pricing terms included in its annual purchase orders as its products are shipped to its customers. The Company is asked to provide its customers with annual cost reductions as part of certain agreements. The Company accrues for such amounts as a reduction of revenue as its products are shipped to its customers. In addition, the Company has ongoing adjustments to its pricing arrangements with its customers based on the related content, the cost of its products and other commercial factors. Such pricing accruals are adjusted as they are settled with the Company’s customers.

Amounts billed to customers related to shipping and handling costs are included in net sales in the consolidated statements of operations. Shipping and handling costs are included in cost of sales in the consolidated statements of operations.

Research and Development

Costs incurred in connection with the development of new products and manufacturing methods, to the extent not recoverable from the Company’s customers, are charged to selling, general and administrative expenses as incurred. These costs amounted to $174.0 million, $197.6 million and $171.1 million for the years ended December 31, 2005, 2004 and 2003, respectively.

Other Expense, Net

Other expense includes state and local non-income related taxes, foreign exchange gains and losses, gains and losses on the sales of fixed assets and other miscellaneous income and expense. A summary of other expense is shown below (in millions):

For the Year Ended December 31,	2005	2004	2003
Other expense	$ 41.8	$ 38.6	$ 51.8
Other income	(3.8)	—	—
Other expense, net	$ 38.0	$ 38.6	$ 51.8

Foreign Currency Translation

With the exception of foreign subsidiaries operating in highly inflationary economies, which are measured in U.S. dollars, assets and liabilities of foreign subsidiaries are translated into U.S. dollars at the foreign exchange rates in effect at the end of the period. Revenues and expenses of foreign subsidiaries are translated using an average of the foreign exchange rates in effect during the period. Translation adjustments that arise from translating a foreign subsidiary's financial statements from the functional currency to U.S. dollars are reflected in accumulated other comprehensive income (loss) in the consolidated balance sheets.

Transaction gains and losses that arise from foreign exchange rate fluctuations on transactions denominated in a currency other than the functional currency, except those transactions which operate as a hedge of a foreign currency investment position, are included in the statements of operations as incurred.

Net Income (Loss) Per Share

Basic net income (loss) per share is computed using the weighted average common shares outstanding during the period. Diluted net income (loss) per share is computed using the average share price during the period when calculating the dilutive effect of common stock equivalents. On December 15, 2004, the Company adopted the provisions of Emerging Issues Task Force ("EITF") 04-08, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share," which require that the impact of contingently convertible instruments that are convertible into common stock upon the achievement of a specified market price of the issuer's shares, such as the Company's outstanding zero-coupon convertible senior notes, be included in net income per share computations regardless of whether the market price trigger has been met. The effect of EITF 04-08 on the computation of diluted net income per share is, when dilutive, to adjust net income by adding back after-tax interest expense on convertible debt and to increase total shares outstanding by the number of shares that would be issuable upon conversion. There are 4,813,056 shares issuable upon conversion of the Company's outstanding convertible zero-coupon senior notes. Tables summarizing net income (loss), for diluted net income (loss) per share (in millions) and shares outstanding are shown below:

For the Year Ended December 31,	2005	2004	2003
Net income (loss)	$ (1,381.5)	$ 422.2	$ 380.5
Add: After-tax interest expense on convertible debt	—	9.3	9.0
Net income (loss), for diluted net income (loss) per share	$ (1,381.5)	$ 431.5	$ 389.5

For the Year Ended December 31,	2005	2004	2003 (Restated)
Weighted average common shares outstanding	67,166,668	68,278,858	66,689,757
Dilutive effect of common stock equivalents	—	1,635,349	1,843,755
Shares issuable upon conversion of convertible debt	—	4,813,056	4,813,056
Diluted shares outstanding	67,166,668	74,727,263	73,346,568

For further information related to the zero-coupon convertible senior notes, see Note 7, "Long-Term Debt."

Lear Corporation and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

The shares issuable upon conversion of the Company's outstanding zero-coupon convertible debt and the effect of common stock equivalents, including options, restricted stock units, performance units and stock appreciation rights were excluded from the computation of diluted shares outstanding for the year ended December 31, 2005, as inclusion would have resulted in antidilution. Certain options were excluded in the computation of diluted shares outstanding for the years ended December 31, 2005 and 2003, as inclusion would have resulted in antidilution. A summary of these options and their exercise prices, as well as these restricted stock units, performance units and stock appreciation rights, is shown below:

For the Year Ended December 31,	2005	2004	2003
Options			
Antidilutive options	2,983,405	—	505,200
Exercise prices	$ 22.12 - $55.33	—	$ 54.22 - $55.33
Restricted stock units	2,234,122	—	—
Performance units	123,672	—	—
Stock appreciation rights	1,215,046	—	—

Stock-Based Compensation

The Company has three plans under which it has issued stock options: the 1994 Stock Option Plan, the 1996 Stock Option Plan and the Long-Term Stock Incentive Plan. Options issued to date under these plans generally vest three years following the grant date and expire ten years from the issuance date.

A summary of option transactions during each of the three years in the period ended December 31, 2005, is shown below:

	Stock Options	Price Range
Outstanding as of January 1, 2003	6,350,419	$ 15.50 - $54.22
Granted	16,000	$55.33
Expired or cancelled	(10,099)	$ 20.41 - $54.22
Exercised	(2,353,695)	$ 15.50 - $54.22
Outstanding as of December 31, 2003	4,002,625	$ 15.50 - $55.33
Expired or cancelled	(14,450)	$ 15.50 - $54.22
Exercised	(693,495)	$ 15.50 - $54.22
Outstanding as of December 31, 2004	3,294,680	$ 22.12 - $55.33
Expired or cancelled	(176,800)	$ 22.12 - $54.22
Exercised	(134,475)	$ 22.12 - $54.22
Outstanding as of December 31, 2005	2,983,405	$ 22.12 - $55.33

Lear Corporation and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

A summary of options outstanding as of December 31, 2005, is shown below:

Range of Exercise Prices	$22.12 – 27.25	$33.00 – 39.83	$41.83 – 42.32	$54.22 – 55.33
Options outstanding:				
Number outstanding	228,175	829,980	1,517,050	408,200
Weighted average remaining contractual life (years)	4.16	4.50	6.42	2.55
Weighted average exercise price	$ 22.55	$ 36.91	$ 41.83	$ 54.26
Options exercisable:				
Number exercisable	228,175	829,980	1,517,050	392,200
Weighted average exercise price	$ 22.55	$ 36.91	$ 41.83	$ 54.22

The fair value of the 2003 stock option grant was estimated as of the grant date using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield of 1.45%; expected life of seven years; risk-free interest rate of 3.87%; and expected volatility of 41.24%. The fair value of the 2003 stock option grant was $23.23 per option.

The Long-Term Stock Incentive Plan also permits the grants of stock appreciation rights, restricted stock, restricted stock units, performance shares and performance units (collectively, "Incentive Units") to officers and other key employees of the Company. As of December 31, 2005, the Company had outstanding stock-settled stock appreciation rights of 1,215,046 at a weighted average exercise price of $27.65 per right and outstanding restricted stock and performance shares convertible into a maximum of 2,357,794 shares of common stock of the Company. Restricted stock and performance shares include 1,406,719 restricted stock units at no cost to the employee, 827,403 restricted stock units at a weighted average cost to the employee of $40.33 per unit and 123,672 performance shares at no cost to the employee. As of December 31, 2005, the Company also had outstanding cash-settled stock appreciation rights of 334,542 at a weighted average exercise price of $27.53 per right.

Stock appreciation rights vest on a graded basis over one to three years following the grant date and expire seven years from the grant date. Restricted stock units vest on a graded basis over two to five years following the grant date, and performance shares vest three years following the grant date.

Lear Corporation and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

A summary of Incentive Unit transactions during each of the three years in the period ended December 31, 2005, is shown below:

	Stock Appreciation Rights(1)	Restricted Stock Units	Performance Shares(2)
Outstanding as of January 1, 2003	—	663,496	207,642
Granted	—	882,294	82,108
Expired or cancelled	—	(3)	(1,282)
Distributed	—	(151,071)	(32,310)(3)
Outstanding as of December 31, 2003	—	1,394,716	256,158
Granted	—	954,637	53,193
Expired or cancelled	—	(39,332)	(6,664)
Distributed	—	(476,337)	(93,660)
Outstanding as of December 31, 2004	—	1,833,684	209,027
Granted	1,215,046	605,811	56,733
Expired or cancelled	—	(74,528)	(67,452)
Distributed	—	(130,845)	(74,636)
Outstanding as of December 31, 2005	1,215,046	2,234,122	123,672

(1) Does not include cash-settled stock appreciation rights.

(2) Performance shares reflected as "granted" are notional shares granted at the beginning of a three-year performance period whose eventual payout is subject to satisfaction of performance criteria. Performance shares reflected as "distributed" are those that are paid out in cash or shares of common stock upon satisfaction of the performance criteria at the end of the three-year performance period.

(3) The amount of performance shares reflected as "distributed" in 2003 includes distributions of cash and shares of common stock upon satisfaction of the applicable performance criteria. Of the 32,310 performance shares distributed in 2003, 21,688 shares were distributed in cash and 10,622 shares were distributed in shares of common stock. The amounts of performance shares reflected as "distributed" in 2004 and 2005 were distributed solely in shares of common stock.

The fair values of the 2005 stock-settled stock appreciation right grants, which have a seven-year term, were estimated as of the grant dates using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yields of 1.91%; expected life of 4 1/2 years; risk-free interest rate of 4.40%; and expected volatility of 40.00%. The weighted average fair value of the 2005 stock-settled stock appreciation right grant was $9.30 per right.

Prior to 2003, the Company accounted for stock-based compensation under the recognition and measurement provisions of APB No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, compensation expense was not recognized related to stock options, as the exercise price of the stock option was equal to the fair market value of the stock as of the grant date. Compensation expense was recognized related to certain Incentive Units.

On January 1, 2003, the Company adopted the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," under which compensation cost for grants of Incentive Units and stock options is determined based on the fair value of the Incentive Units and stock options as of the grant date. SFAS No. 123 has been applied prospectively to all employee awards granted after January 1, 2003, as permitted under the provisions of SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure." A summary of the

Lear Corporation and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

effect on net income (loss) and net income (loss) per share, as if the fair value based method had been applied to all outstanding and unvested awards in each period, is shown below (in millions, except per share data):

For the Year Ended December 31,	2005	2004	2003
Net income (loss), as reported	$ (1,381.5)	$ 422.2	$ 380.5
Add: Stock-based employee compensation expense included in reported net income (loss), net of tax	14.7	10.9	5.5
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax	(18.1)	(21.6)	(23.3)
Net income (loss), pro forma	$ (1,384.9)	$ 411.5	$ 362.7
Net income (loss) per share:			
Basic — as reported	$ (20.57)	$ 6.18	$ 5.71
Basic — pro forma	$ (20.62)	$ 6.03	$ 5.44
Diluted — as reported	$ (20.57)	$ 5.77	$ 5.31
Diluted — pro forma	$ (20.62)	$ 5.63	$ 5.07

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. During 2005, there were no material changes in the methods or policies used to establish estimates and assumptions. Generally, matters subject to estimation and judgment include amounts related to accounts receivable realization, inventory obsolescence, asset impairments and unsettled pricing discussions with customers and suppliers (Note 2, "Summary of Significant Accounting Policies"); restructuring accruals (Note 3, "Restructuring"); deferred tax asset valuation allowances and income taxes (Note 8, "Income Taxes"); pension and other postretirement benefit plan assumptions (Note 9, "Pension and Other Postretirement Benefit Plans"); accruals related to litigation, warranty and environmental remediation costs (Note 10, "Commitments and Contingencies"); and self-insurance accruals. Actual results may differ from estimates provided.

Reclassifications

Certain amounts in prior years' financial statements have been reclassified to conform to the presentation used in the year ended December 31, 2005.

(3) Restructuring

2005

In order to address unfavorable industry conditions, the Company began to implement consolidation and census actions in the second quarter of 2005. These actions are part of a comprehensive restructuring strategy intended to (i) better align the Company's manufacturing capacity with the changing needs of its customers, (ii) eliminate excess capacity and lower the operating costs of the Company and (iii) streamline the Company's organizational structure and reposition its business for improved long-term profitability.

In connection with the restructuring actions, the Company expects to incur pre-tax costs of approximately $250 million, although all aspects of the restructuring actions have not been finalized. Such costs will include employee termination benefits, asset impairment charges and contract termination costs, as well as other incremental costs resulting from the restructuring actions. These incremental costs will principally include equipment and personnel relocation costs. The Company also expects to incur incremental manufacturing inefficiency costs at the operating locations impacted by the restructuring actions during the related restructuring implementation period. Restructuring costs will be recognized in the Company's consolidated financial statements in accordance with accounting principles generally accepted in the United States. Generally, charges will be recorded as elements of the restructuring strategy are finalized. Actual costs recorded in the Company's consolidated financial statements may vary from current estimates.

In connection with the Company's restructuring actions, the Company recorded charges of $88.9 million in 2005, including $84.6 million recorded as cost of sales and $6.2 million recorded as selling, general and administrative expenses. The remaining amounts include a gain on the sale of a facility, which is recorded as other expense, net. The 2005 charges consist of employee termination benefits of $56.5 million for 643 salaried and 3,720 hourly employees, asset impairment charges of $15.1 million and contract termination costs of $13.5 million, as well as other costs of $3.8 million. Employee termination benefits were recorded based on existing union and employee contracts, statutory requirements and completed negotiations. Asset impairment charges relate to the disposal of buildings, leasehold improvements and machinery and equipment with carrying values of $15.1 million in excess of related estimated fair values. Contract termination costs include lease cancellation costs of $3.4 million, which are expected to be paid through 2006, the repayment of various government-sponsored grants of $4.8 million, the termination of joint venture, subcontractor and other relationships of $3.2 million and pension and other postretirement benefit plan curtailments of $2.1 million.

A summary of the 2005 restructuring charges, excluding the $2.1 million pension and other postretirement benefit plan curtailments, is shown below (in millions):

	Charges	Utilization		Accrual as of
		Cash	Non-Cash	December 31, 2005
Employee termination benefits	$ 56.5	$ (41.4)	$ —	$ 15.1
Asset impairments	15.1	—	(15.1)	—
Contract termination costs	11.4	(6.4)	—	5.0
Other related costs	3.8	(3.8)	—	—
Total	$ 86.8	$ (51.6)	$ (15.1)	$ 20.1

2004 and 2003

In December 2003, the Company initiated actions affecting two of its U.S. seating facilities. As a result of these actions, the Company recorded charges of $25.5 million and $7.8 million in 2003 and 2004, respectively, for employee termination benefits and asset impairments. These actions were completed in the second quarter of 2004. In 2004, the Company also incurred $39.9 million in estimated costs related to additional facility consolidations and closures and census reductions.

(4) Acquisition

On July 5, 2004, the Company completed the acquisition of the parent of GHW Grote & Hartmann GmbH ("Grote & Hartmann") for consideration of $160.2 million, including assumed debt of $86.3 million, subject to adjustment. This amount excludes the cost of integration, as well as other internal costs related to the transaction which were expensed as incurred. Grote & Hartmann was based in Wuppertal, Germany, and manufactured terminals and connectors, as well as junction boxes, primarily for the automotive industry.

The Grote & Hartmann acquisition was accounted for as a purchase, and accordingly, the assets purchased and liabilities assumed are included in the consolidated balance sheets as of December 31, 2005 and 2004. The operating results of Grote & Hartmann are included in the consolidated financial statements since the date of acquisition.

Lear Corporation and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

The pro forma effects of this acquisition would not materially impact the Company's reported results for any period presented.

(5) Investments in Affiliates and Other Related Party Transactions

The Company's beneficial ownership in affiliates accounted for under the equity method is shown below:

December 31,	2005	2004	2003
Honduras Electrical Distribution Systems S. de R.L. de C.V. (Honduras)	60%	60%	—
Lear-Kyungshin Sales and Engineering LLC	60	60	—
Shanghai Lear STEC Automotive Parts Co., Ltd. (China)	55	55	55
Lear Shurlok Electronics (Proprietary) Limited (South Africa)	51	—	—
Industrias Cousin Freres, S.L. (Spain)	50	50	50
Hanil Lear India Private Limited (India)	50	50	50
Lear Diamond Electro-Circuit Systems Co., Ltd. (Japan)	50	50	50
Nanjing Lear Xindi Automotive Interiors Systems Co., Ltd. (China)	50	50	50
Lear Dongfeng Automotive Seating Co., Ltd. (China)	50	50	50
Dong Kwang Lear Yuhan Hoesa (Korea)	50	50	—
Jiangxi Jiangling Lear Interior Systems Co. Ltd. (China)	41	41	41
Beijing Lear Dymos Automotive Seating and Interior Co., Ltd. (China)	40	50	—
Total Interior Systems — America, LLC	39	39	39
UPM S.r.L. (Italy)	39	39	39
Markol Otomotiv Yan Sanayi VE Ticaret A.S. (Turkey)	35	35	35
RecepTec Holdings, L.L.C.	21	21	21
Shenyang Lear Automotive Seating and Interior Systems Co., Ltd. (China)	—	60	60
Lear Furukawa Corporation	—	51	51
Lear-NHK Seating and Interior Co., Ltd. (Japan)	—	50	50
Bing Assembly Systems, L.L.C.	—	49	49
JL Automotive, LLC	—	49	49
Precision Fabrics Group, Inc.	—	43	41
Klingel Italiana S.R.L. (Italy)	—	40	—
Corporate Eagle Two, L.L.C.	—	—	50
Saturn Electronics Texas, L.L.C.	—	—	45
Nawon Ind. Co., Ltd. (Korea)	—	—	40

Summarized group financial information for affiliates accounted for under the equity method as of December 31, 2005 and 2004, and for the years ended December 31, 2005, 2004 and 2003, is shown below (unaudited; in millions):

December 31,	2005	2004
Balance sheet data:		
Current assets	$ 183.8	$ 277.5
Non-current assets	64.5	117.6
Current liabilities	186.0	279.4
Non-current liabilities	16.5	25.8

Lear Corporation and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

For the Year Ended December 31,	2005	2004	2003
Income statement data:			
Net sales	$ 1,248.4	$ 1,127.1	$ 779.6
Gross profit	56.1	87.7	92.9
Income before provision for income taxes	0.9	16.0	22.2
Net income (loss)	(4.2)	11.3	17.4

As of December 31, 2005 and 2004, the Company's aggregate investment in affiliates was $28.5 million and $52.9 million, respectively. In addition, the Company had notes and advances due from affiliates of $2.8 million and $69.6 million as of December 31, 2005 and 2004, respectively.

A summary of transactions with affiliates and other related parties is shown below (in millions):

For the Year Ended December 31,	2005	2004	2003
Sales to affiliates	$ 144.9	$ 140.3	$ 144.7
Purchases from affiliates	224.9	120.9	96.1
Purchases from other related parties(1)	13.6	12.5	12.0
Management and other fees for services provided to affiliates	0.6	3.3	7.6
Dividends received from affiliates	5.3	3.2	8.7

(1) Includes $4.3 million, $3.5 million and $3.9 million in 2005, 2004 and 2003, respectively, paid to Trammel Crow Company for facilities maintenance and real estate brokerage services; includes $7.0 million, $7.3 million and $7.7 million in 2005, 2004 and 2003, respectively, paid to Analysts International, Sequoia Services Group for software services and computer equipment; includes $0.4 million, $0.4 million and $0.4 million in 2005, 2004 and 2003, respectively, paid to Elite Support Management Group, L.L.C. for the provision of information technology temporary support personnel; and includes $1.9 million and $1.3 million in 2005 and 2004, respectively, paid to Creative Seating Innovations, Inc. for certain manufacturing services. Each entity employs a relative of the Company's Chairman and Chief Executive Officer. In addition, Elite Support Management and Creative Seating Innovations are each partially owned by relatives of the Company's Chairman and Chief Executive Officer. As a result, such entities may be deemed to be related parties. These purchases were made in the ordinary course of the Company's business and in accordance with the Company's normal procedures for engaging service providers or normal sourcing procedures for suppliers, as applicable.

The Company's investments in Honduras Electrical Distribution Systems S. de R.L. de C.V., Lear-Kyungshin Sales and Engineering LLC and Shanghai Lear STEC Automotive Parts Co., Ltd. are accounted for under the equity method as the result of certain approval rights granted to the minority shareholder.

The Company guarantees 60% of certain of the debt of Honduras Electrical Distribution Systems S. de R.L. de C.V., 40% of certain of the debt of Beijing Lear Dymos Automotive Seating and Interior Co., Ltd. and 39% of certain of the debt of Total Interior Systems — America, LLC. As of December 31, 2005, the amount of debt guaranteed by the Company was $29.4 million.

In December 2005, the Company engaged in the restructuring of two of its previously unconsolidated affiliates, Bing Assembly Systems, L.L.C. ("BAS") and JL Automotive, LLC ("JLA"), which involved capital restructurings, changes in ownership and amendments to the related operating agreements. Each venture assembles, sequences and manufactures automotive interior components. These restructurings resulted in the recognition of a $29.8 million loss, which is reflected in equity in net (income) loss of affiliates in the accompanying statement of operations for the year ended December 31, 2005. In addition, as part of the restructurings, a new joint venture partner, Comer Holdings, LLC, acquired a 51% ownership interest in Integrated Manufacturing and Assembly, LLC (formerly BAS) and CL Automotive, LLC (formerly JLA) with Lear retaining a 49% ownership interest in both of these ventures. Upon the completion of these restructurings, which were effective December 31, 2005, it was determined that both of these ventures are variable interest entities and that the Company is the primary beneficiary due to its financing of the ventures through member loans and through various amendments to the respective operating agreements. Accordingly, the assets and liabilities of these ventures are reflected in the consolidated balance sheet as of December 31, 2005. The equity interests of the ventures not owned by the Company are reflected as minority interest in the consolidated balance sheet as of December 31, 2005. The operating results of these ventures will be included in the consolidated statements of operations from the date of consolidation, December 31, 2005.

2005

In January 2005, the Company acquired an additional 29% of Lear Furukawa Corporation ("Lear Furukawa") for $2.3 million, increasing its ownership interest to 80%. The acquisition was accounted for as a purchase, and accordingly, the assets purchased and liabilities assumed are reflected in the consolidated balance sheet as of December 31, 2005. The operating results of Lear Furukawa are included in the consolidated statement of operations from the date of acquisition. The operating results of the Company, after giving pro forma effect to this acquisition, are not materially different from reported results. Previously, Lear Furukawa was accounted for under the equity method. Shareholder resolutions required a two-thirds majority vote for approval of corporate actions, and therefore, Lear did not control this affiliate.

In July 2005, the Company began reflecting the financial position and results of operations of Shenyang Lear Automotive Seating and Interior Systems Co., Ltd. ("Shenyang") in its consolidated financial statements, due to a change in the approval rights granted to the minority shareholder. Previously, Shenyang was accounted for under the equity method. Certain shareholder resolutions required unanimous shareholder approval, and therefore, Lear did not control this affiliate.

Also in 2005, the Company divested its ownership interest in Precision Fabrics Group, Inc. ("Precision Fabrics") and recognized a charge of $16.9 million. This charge is reflected in equity in net (income) loss of affiliates in the consolidated statement of operations for the year ended December 31, 2005. In addition, the Company sold its ownership interests in Klingel Italiana S.R.L and dissolved Lear-NHK Seating and Interior Co., Ltd.

2004

In December 2004, the Company formed Dong Kwang Lear Yuhan Hoesa, a joint venture with Dong Kwang Tech Co., Ltd., to manufacture and supply seat systems in Korea. In October 2004, the Company formed Beijing Lear Dymos Automotive Seating and Interior Co., Ltd., a joint venture with Dymos Incorporated, to manufacture and supply seat systems in China. In February 2004, the Company formed two joint ventures, Lear-Kyungshin Sales and Engineering LLC and Honduras Electrical Distribution Systems S. de R.L. de C.V. (collectively, the "Kyungshin affiliates"), with Kyungshin Industrial Co., Ltd. to manufacture and supply wire harnesses.

In January 2004, the Company acquired an additional 17% of the publicly traded common equity of Hanyil Co., Ltd. ("Hanyil") for $4.1 million, increasing its ownership interest in Hanyil to 99%.

Also in 2004, the Company sold its ownership interests in Corporate Eagle Two, L.L.C., Saturn Electronics Texas, L.L.C. and Nawon Ind. Co., Ltd. ("Nawon").

In conjunction with the acquisition of Grote & Hartmann in July 2004 (Note 4, "Acquisition"), the Company assumed a 40% ownership interest in Klingel Italiana S.R.L.

2003

In August 2003, the Company acquired an additional 53% of the publicly traded common equity of Hanyil, an automotive seats supplier in Korea, for $9.4 million. The Company previously held a 29% equity interest in Hanyil.

Lear Corporation and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

The acquisition was accounted for as a purchase, and accordingly, the assets purchased and liabilities assumed are reflected in the consolidated balance sheets as of December 31, 2004 and 2003. The operating results of Hanyil are included in the consolidated statements of operations for the years ended December 31, 2004 and 2003, since the date of acquisition. In conjunction with the purchase of Hanyil, the Company assumed a 40% ownership interest in Nawon, a seating company in Korea. The operating results of the Company, after giving pro forma effect to this acquisition, are not materially different from reported results.

In July 2003, the Company formed Shanghai Lear STEC Automotive Parts Co., Ltd., a joint venture with Shanghai SIIC Transportation Electrical Co., Ltd., to manufacture and supply electronic products and electrical distribution systems and other automotive parts and components in China. In May 2003, the Company established Shenyang Lear Automotive Seating and Interior Systems Co., Ltd., a joint venture with Shanghai Shenhua Holdings Co., Ltd., to manufacture and supply automotive parts and components in China. In December 2003, the Company formed Lear Dongfeng Automotive Seating Co., Ltd., a joint venture with Dongfeng Industrial Co., Ltd., to manufacture automotive seats and components in China.

Also in 2003, the Company and its joint venture partner dissolved Lear Motorola Integrated Solutions, L.L.C., and the Company sold the remaining interest in NTTF Industries, Ltd. In addition, the Company's ownership percentage in RecepTec Holdings, L.L.C., an investment previously accounted for under the cost method, increased from 18% to 21%.

(6) Short-Term Borrowings

The Company utilizes uncommitted lines of credit as needed for its short-term working capital fluctuations. As of December 31, 2005, the Company had unsecured lines of credit available from banks of $264.5 million, subject to certain restrictions imposed by the Amended and Restated Primary Credit Facility (Note 7, "Long-Term Debt"). As of December 31, 2005 and 2004, the weighted average interest rate on outstanding borrowings was 5.0% and 4.3%, respectively.

(7) Long-Term Debt

A summary of long-term debt and the related weighted average interest rates, including the effect of hedging activities described in Note 12, "Financial Instruments," is shown below (in millions):

	2005		2004	
December 31,	**Long-Term Debt**	**Weighted Average Interest Rate**	**Long-Term Debt**	**Weighted Average Interest Rate**
Debt Instrument				
Amended and Restated Primary Credit Facility	$ 400.0	5.67%	$ —	—
5.75% Senior Notes, due 2014	399.3	5.635%	399.2	5.635%
Zero-Coupon Convertible Senior Notes, due 2022	300.1	4.75%	286.3	4.75%
8.125% Senior Notes, due 2008	295.6	8.125%	338.5	8.125%
8.11% Senior Notes, due 2009	800.0	8.35%	800.0	7.74%
7.96% Senior Notes, due 2005	—	—	600.0	6.95%
Other	57.5	6.34%	75.7	4.22%
	2,252.5		2,499.7	
Less — current portion	(9.4)		(632.8)	
Long-term debt	$ 2,243.1		$ 1,866.9	

Amended and Restated Primary Credit Facility

On March 23, 2005, the Company entered into a $1.7 billion credit and guarantee agreement (the "Primary Credit Facility"), which provides for maximum revolving borrowing commitments of $1.7 billion and matures on March 23, 2010. The Primary Credit Facility replaced the Company's existing $1.7 billion amended and restated credit facility, which was due to mature on March 26, 2006. On August 3, 2005, the Primary Credit Facility was amended to (i) revise the leverage ratio covenant for the third quarter of 2005 through the first quarter of 2006, (ii) obtain the consent of the lenders to permit the Company to enter into a new 18-month term loan facility (the "Term Loan Facility") with a principal amount of up to $400 million and (iii) provide for the pledge of the capital stock of certain of the Company's material subsidiaries to secure its obligations under the Primary Credit Facility and the Term Loan Facility. On August 11, 2005, the Company entered into an amended and restated credit and guarantee agreement (the "Amended and Restated Primary Credit Facility"). The Amended and Restated Primary Credit Facility effectively combined the Company's existing Primary Credit Facility, as amended, with the new $400 million Term Loan Facility with a maturity date of February 11, 2007. The Amended and Restated Primary Credit Facility provides for multicurrency revolving borrowings in a maximum aggregate amount of $750 million, Canadian revolving borrowings in a maximum aggregate amount of $200 million and swing-line revolving borrowings in a maximum aggregate amount of $300 million, the commitments for which are part of the aggregate revolving credit facility commitment.

Revolving borrowings under the Amended and Restated Primary Credit Facility bear interest, payable no less frequently than quarterly, at (a) (1) applicable interbank rates, on Eurodollar and Eurocurrency loans, (2) the greater of the U.S. prime rate and the federal funds rate plus 0.50%, on base rate loans, (3) the greater of the rate publicly announced by the Canadian administrative agent and the federal funds rate plus 0.50%, on U.S. dollar denominated Canadian loans, (4) the greater of the prime rate announced by the Canadian administrative agent and the average Canadian interbank bid rate (CDOR) plus 1.0%, on Canadian dollar denominated Canadian loans, and (5) various published or quoted rates, on swing line and other loans, plus (b) a percentage spread ranging from 0% to 1.0%, depending on the type of loan and/or currency and the Company's credit rating or leverage ratio. Borrowings under the Term Loan Facility bear interest at a percentage spread ranging from 0.50% to 0.75% for alternate base rate loans and 1.50% to 1.75% for Eurodollar loans depending on the Company's credit rating or leverage ratio. Under the Amended and Restated Primary Credit Facility, the Company agrees to pay a facility fee, payable quarterly, at rates ranging from 0.10% to 0.35%, depending on its credit rating or leverage ratio, and when applicable, a utilization fee.

As of December 31, 2005, the Company had $400.0 million in borrowings outstanding under the Amended and Restated Primary Credit Facility, all of which were outstanding under the Term Loan Facility. There were no revolving borrowings outstanding. As of December 31, 2005 the Company pays a commitment fee on the $1.7 billion credit facility of 0.25% per annum. Borrowings and repayments under the Company's Amended and Restated Primary Credit Facility (as well as predecessor facilities) are shown below (in millions):

Year	Borrowings	Repayments
2005	$ 8,942.4	$ 8,542.4
2004	4,153.1	4,153.1
2003	6,084.7	6,217.5

Zero-Coupon Convertible Senior Notes

In February 2002, the Company issued $640.0 million aggregate principal amount at maturity of zero-coupon convertible senior notes due 2022 (the "Convertible Notes"), yielding gross proceeds of $250.3 million. The Convertible Notes are unsecured and rank equally with the Company's other unsecured senior indebtedness, including the Company's other senior notes. Each Convertible Note of $1,000 principal amount at maturity was issued at a price of $391.06, representing a yield to maturity of 4.75%. Holders of the Convertible Notes may convert their notes at any time on or before the maturity date at a conversion rate, subject to adjustment, of 7.5204 shares of the Company's common stock per note, provided that the average per share price of the Company's common stock for the 20 trading days immediately prior to the conversion date is at least a specified percentage, beginning at 120% upon issuance and declining 1/2% each year thereafter to 110% at maturity, of the accreted value of the Convertible Note, divided by the conversion rate (the "Contingent Conversion Trigger"). The average per share price of the Company's common stock for the 20 trading days immediately prior to December 31, 2005, was $28.01. As of December 31, 2005, the Contingent Conversion Trigger was $73.87. The Convertible Notes are also convertible (1) if the long-term credit rating assigned to the Convertible Notes by either Moody's Investors Service or Standard & Poor's Ratings Services is reduced below Ba3 or BB-, respectively, or either ratings agency withdraws its long-term credit rating assigned to the notes, (2) if the Company calls the Convertible Notes for redemption or (3) upon the occurrence of specified other events.

The Company has an option to redeem all or a portion of the Convertible Notes for cash at their accreted value at any time on or after February 20, 2007. Should the Company exercise this option, holders of the Convertible Notes could exercise their option to convert the Convertible Notes into the Company's common stock at the conversion rate, subject to adjustment, of 7.5204 shares per note. Holders may require the Company to purchase their Convertible Notes on each of February 20, 2007, 2012 and 2017, as well as upon the occurrence of a fundamental change (as defined in the indenture governing the Convertible Notes), at their accreted value on such dates. On August 26, 2004, the Company amended its outstanding Convertible Notes to require settlement of any repurchase obligation with respect to the Convertible Notes for cash only.

The Company used the proceeds from the Convertible Notes offering to repay indebtedness under the revolving portion of the Company's then existing primary credit facilities. The offering of the Convertible Notes was made pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"). In June 2002, a registration statement filed by the Company covering the resale of the Convertible Notes and the common stock issuable upon their conversion was declared effective by the Securities and Exchange Commission (the "SEC").

Other Senior Notes

In August 2004, the Company issued $400 million aggregate principal amount of unsecured 5.75% senior notes due 2014 (the "2014 Notes"), yielding gross proceeds of $399.2 million. The notes are unsecured and rank equally with the Company's other unsecured senior indebtedness, including the Company's other senior notes. The proceeds from these notes were ultimately utilized to refinance a portion of the $600 million senior notes due May 2005. In April 2005, the Company completed an exchange offer of the 2014 Notes for substantially identical notes registered under the Securities Act. Interest on the 2014 Notes is payable on February 1 and August 1 of each year.

The Company has outstanding Euro 250 million ($295.6 million based on the exchange rate in effect as of December 31, 2005) aggregate principal amount of senior notes due 2008 (the "Eurobonds"). Interest on the Eurobonds is payable on April 1 and October 1 of each year. In addition, the Company has outstanding $800 million aggregate principal amount of senior notes due 2009 (the "2009 Notes"). Interest on the 2009 Notes is payable on May 15 and November 15 of each year. The Company repaid the $600 million senior notes due May 2005 at maturity with excess cash and borrowings under the Primary Credit Facility.

The Company may redeem all or part of the 2014 Notes, the Eurobonds and the 2009 Notes at its option, at any time, at the redemption price equal to the greater of (a) 100% of the principal amount of the notes to be redeemed or (b) the sum of the present values of the remaining scheduled payments of principal and interest thereon from the redemption date to the maturity date, discounted to the redemption date on a semiannual basis at the applicable treasury rate plus 20 basis points in the case of the 2014 Notes, at the Bund rate in the case of the Eurobonds and at the applicable treasury rate plus 50 basis points in the case of the 2009 Notes, together with any interest accrued but not paid to the date of the redemption.

Guarantees

The senior notes of the Company are senior unsecured obligations and rank pari passu in right of payment with all of the Company's existing and future unsubordinated unsecured indebtedness. The Company's obligations under the senior notes are guaranteed, on a joint and several basis, by certain of its subsidiaries, which are primarily domestic subsidiaries and all of which are directly or indirectly 100% owned by the Company (Note 15, "Supplemental Guarantor Condensed Consolidating Financial Statements"). The Company's obligations under the Amended and Restated Primary Credit Facility are guaranteed by the same subsidiaries that guarantee the Company's obligations under the senior notes. The Company's obligations under the Amended and Restated Primary Credit Facility are also (and solely) secured by the pledge of all or a portion of the capital stock of certain of its significant subsidiaries.

Covenants

The Amended and Restated Primary Credit Facility contains operating and financial covenants that, among other things, could limit the Company's ability to obtain additional sources of capital. The principal financial covenants require that the Company maintain a leverage ratio of not more than 3.75 to 1 as of December 31, 2005, 3.50 to 1 as of April 1, 2006 and 3.25 to 1 as of the end of each quarter thereafter and an interest coverage ratio of not less than 3.5 to 1 as of the end of each quarter. These ratios are calculated on a trailing four quarter basis. The leverage and interest coverage ratios, as well as the related components of their computations, are defined in the Amended and Restated Primary Credit Facility. As of December 31, 2005, the Company was in compliance with all covenants and other requirements set forth in its Amended and Restated Primary Credit Facility. The Company's leverage and interest coverage ratios were 2.7 to 1 and 4.2 to 1, respectively.

The senior notes also contain covenants limiting the ability of the Company and its subsidiaries to incur liens and to enter into sale and leaseback transactions and limiting the ability of the Company to consolidate with, to merge with or into or to sell or otherwise dispose of all or substantially all of its assets to any person. As of December 31, 2005, the Company was in compliance with all covenants and other requirements set forth in its senior notes.

Other

As of December 31, 2005, other long-term debt was principally made up of amounts outstanding under term loans and capital leases.

Scheduled Maturities

As of December 31, 2005, the scheduled maturities of long-term debt for the five succeeding years are shown below (in millions):

Year	Maturities
2006	$ 9.4
2007	722.0(1)
2008	300.4
2009	799.8
2010	2.8

(1) The Company's zero-coupon convertible senior notes are reflected in the scheduled maturities table above at their book value of $300.1 million as of December 31, 2005. Their accreted value as of February 20, 2007 (the first date at which holders may require the Company to purchase the notes) will be $316.5 million.

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Notes to Consolidated Financial Statements — (Continued)

(8) Income Taxes

A summary of income (loss) before provision for income taxes, minority interests in consolidated subsidiaries and equity in net (income) loss of affiliates and the components of provision for income taxes is shown below (in millions):

For the Year Ended December 31,	2005	2004	2003
Income (loss) before provision for income taxes, minority interests in consolidated subsidiaries, equity in net (income) loss of affiliates			
Domestic	$ (1,520.8)	$ 47.7	$ 240.9
Foreign	392.2	516.6	293.5
	$ (1,128.6)	$ 564.3	$ 534.4
Domestic provision for income taxes:			
Current provision (benefit)	$ (12.9)	$ 7.2	$ 48.9
Deferred provision (benefit)	65.3	(4.0)	(38.4)
Total domestic provision	52.4	3.2	10.5
Foreign provision for income taxes:			
Current provision	162.5	112.1	137.9
Deferred provision (benefit)	(20.6)	12.7	5.3
Total foreign provision	141.9	124.8	143.2
Provision for income taxes	$ 194.3	$ 128.0	$ 153.7

The foreign deferred provision (benefit) includes the benefit of prior unrecognized net operating loss carryforwards of $1.8 million, $5.7 million and $2.3 million for the years ended December 31, 2005, 2004 and 2003, respectively.

A summary of the differences between the provision (benefit) for income taxes calculated at the United States federal statutory income tax rate of 35% and the consolidated provision for income taxes is shown below (in millions):

For the Year Ended December 31,	2005	2004	2003
Income (loss) before provision for income taxes, minority interests in consolidated subsidiaries, equity in net (income) loss of affiliates multiplied by the United States federal statutory rate	$ (395.0)	$ 197.5	$ 187.0
Differences in income taxes on foreign earnings, losses and remittances	(34.0)	(46.5)	(47.7)
Valuation adjustments	275.2	13.3	19.1
Research and development credits	(22.6)	(16.6)	(12.8)
Goodwill impairment	354.4	—	—
Investment credit/grants	(22.8)	(7.4)	—
Other	39.1	(12.3)	8.1
Provision for income taxes	$ 194.3	$ 128.0	$ 153.7

For the year ended December 31, 2005, investment credit / grants includes the tax benefit related to a tax law change in Poland of $17.8 million, which was recorded in the first quarter of 2005.

For the years ended December 31, 2005, 2004 and 2003, income in foreign jurisdictions with tax holidays was $54.7 million, $143.4 million and $81.0 million, respectively. Such tax holidays generally expire from 2006 through 2017.

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Notes to Consolidated Financial Statements — (Continued)

Deferred income taxes represent temporary differences in the recognition of certain items for income tax and financial reporting purposes. A summary of the components of the net deferred income tax liability is shown below (in millions):

December 31,	2005	2004
Deferred income tax assets:		
Tax loss carryforwards	$ 259.0	$ 277.0
Tax credit carryforwards	85.7	26.6
Retirement benefit plans	90.1	85.1
Accrued liabilities	71.7	38.4
Reserves related to current assets	29.7	35.2
Self-insurance reserves	20.6	22.7
Minimum pension liability	39.5	26.2
Deferred compensation	20.2	9.0
Recoverable customer engineering and tooling	57.5	—
Derivative instruments and hedging	22.0	34.0
	696.0	554.2
Valuation allowance	(478.3)	(277.7)
	$ 217.7	$ 276.5
Deferred income tax liabilities:		
Long-term asset basis differences	$ (137.4)	$ (146.8)
Recoverable customer engineering and tooling	—	(44.8)
Undistributed earnings of foreign subsidiaries	(86.8)	(83.4)
Other	(4.3)	(2.7)
	$ (228.5)	$ (277.7)
Net deferred income tax liability	$ (10.8)	$ (1.2)

During 2005, operating losses generated in the United States resulted in an increase in the carrying value of its deferred tax assets. In light of the Company's recent operating performance in the United States and current industry conditions, the Company assessed, based upon all available evidence, whether it was more likely than not that it would realize its U.S. deferred tax assets. The Company concluded that it was no longer more likely than not that it would realize its U.S. deferred tax assets. As a result, in the fourth quarter of 2005, the Company recorded a tax charge of $300.3 million comprised of (i) a full valuation allowance of $255.0 million and (ii) an increase in related tax reserves of $45.3 million. The increase in tax reserve is reflected in the other component of the tax rate reconciliation table above. In addition, deferred income tax assets have been fully offset by a valuation allowance in certain foreign tax jurisdictions due to a history of operating losses. The classification of the net deferred income tax liability is shown below (in millions):

December 31,	2005	2004
Deferred income tax assets:		
Current	$ 138.6	$ 148.1
Long-term	76.0	50.4
Deferred income tax liabilities:		
Current	(33.3)	(38.4)
Long-term	(192.1)	(161.3)
Net deferred income tax liability	$ (10.8)	$ (1.2)

Deferred income taxes have not been provided on $789.5 million of certain undistributed earnings of the Company's foreign subsidiaries as such amounts are considered to be permanently reinvested. It is not practicable to determine the unrecognized deferred income tax liability on these earnings because the actual tax liability on these earnings, if any, is dependent on circumstances existing when remittance occurs.

As of December 31, 2005, the Company had tax loss carryforwards of $866.9 million. Of the total loss carryforwards, $605.4 million has no expiration date and $261.5 million expires from 2006 through 2025. In addition, the Company had tax credit carryforwards of $85.7 million comprised principally of U.S. foreign tax credits, research and development credits and investment tax credits that generally expire between 2015 and 2025.

American Jobs Creation Act of 2004

In October 2004, the American Jobs Creation Act of 2004 ("the Act") was signed into law. The Act created a temporary incentive for U.S. corporations to repatriate earnings from foreign subsidiaries by providing an 85% dividends received deduction for certain dividends from controlled foreign corporations to the extent the dividends exceed a base amount and are invested in the United States pursuant to a domestic reinvestment plan. The temporary incentive was available to the Company until December 31, 2005. The amount of the Company's dividends potentially eligible for the deduction was limited to $500 million.

After completing its evaluation, the Company decided not to pursue dividends under the repatriation provision of the Act due to numerous tax and treasury considerations. This decision had no effect on the Company's provision for income taxes for the year ended December 31, 2005.

(9) Pension and Other Postretirement Benefit Plans

The Company has noncontributory defined benefit pension plans covering certain domestic employees and certain employees in foreign countries, principally Canada. The Company's salaried pension plans provide benefits based on final average earnings formulas. The Company's hourly pension plans provide benefits under flat benefit and cash balance formulas. The Company also has contractual arrangements with certain employees which provide for supplemental retirement benefits. In general, the Company's policy is to fund its pension benefit obligation based on legal requirements, tax considerations and local practices.

The Company has postretirement benefit plans covering a portion of the Company's domestic and Canadian employees. The Company's postretirement benefit plans generally provide for the continuation of medical benefits for all eligible employees who complete ten years of service after age 45 and retire from the Company at age 55 or older. The Company does not fund its postretirement benefit obligation. Rather, payments are made as costs are incurred by covered retirees.

Lear Corporation and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

Obligations and Funded Status

A reconciliation of the change in benefit obligation, the change in plan assets and the net amount recognized in the consolidated balance sheets is shown below (based on a September 30 measurement date, in millions):

	Pension		Other Postretirement	
December 31,	2005	2004	2005	2004
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 630.8	$ 509.4	$ 222.1	$ 199.5
Service cost	41.0	36.7	11.7	13.1
Interest cost	37.6	32.2	13.5	12.3
Amendments	5.6	8.5	(1.0)	(10.5)
Actuarial loss	96.0	27.8	22.4	7.0
Benefits paid	(21.6)	(18.6)	(7.8)	(6.9)
Curtailment (gain) loss	(1.7)	(1.7)	0.1	1.4
Special termination benefits	0.1	1.0	0.3	0.2
Settlements	(1.5)	(0.9)	—	—
New plans	0.1	0.7	—	—
Acquisitions	0.4	15.2	—	—
Translation adjustment	1.5	20.5	4.2	6.0
Benefit obligation at end of year	$ 788.3	$ 630.8	$ 265.5	$ 222.1
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 394.5	$ 327.2	$ —	$ —
Actual return on plan assets	45.6	37.1	—	—
Employer contributions	48.7	35.7	7.8	6.9
Benefits paid	(21.6)	(18.6)	(7.8)	(6.9)
Settlements	(1.5)	(0.9)	—	—
Acquisitions	0.2	—	—	—
Translation adjustment	8.3	14.0	—	—
Fair value of plan assets at end of year	$ 474.2	$ 394.5	$ —	$ —
Funded status	$ (314.1)	$ (236.3)	$ (265.5)	$ (222.1)
Unrecognized net actuarial loss	182.9	106.1	111.3	78.9
Unrecognized net transition (asset) obligation	(0.2)	(0.4)	8.9	12.7
Unrecognized prior service cost	50.5	49.4	(37.1)	(29.3)
Contributions between September 30 and December 31	15.8	10.2	1.8	1.8
Net amount recognized	$ (65.1)	$ (71.0)	$ (180.6)	$ (158.0)
Amounts recognized in the consolidated balance sheets:				
Accrued benefit liability	$ (228.6)	$ (187.4)	$ (180.6)	$ (158.0)
Intangible asset	48.5	43.8	—	—
Accumulated other comprehensive loss	115.0	72.6	—	—
Net amount recognized	$ (65.1)	$ (71.0)	$ (180.6)	$ (158.0)

Lear Corporation and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

As of December 31, 2005 and 2004, the accumulated benefit obligation for all of the Company's pension plans was $697.2 million and $569.1 million, respectively. As of December 31, 2005 and 2004, all of the Company's pension plans had accumulated benefit obligations in excess of plan assets. The projected benefit obligation, the accumulated benefit obligation and the fair value of plan assets of pension plans with accumulated benefit obligations in excess of plan assets were $788.3 million, $697.2 million and $474.2 million, respectively, as of December 31, 2005, and $630.8 million, $569.1 million and $394.5 million, respectively, as of December 31, 2004.

Net Periodic Benefit Cost

The components of the Company's net periodic benefit cost are shown below (in millions):

	Pension			Other Postretirement		
For the Year Ended December 31,	**2005**	**2004**	**2003**	**2005**	**2004**	**2003**
Service cost	$ 41.0	$ 36.7	$ 33.4	$ 11.7	$ 13.1	$ 14.5
Interest cost	37.6	32.2	28.2	13.5	12.3	12.2
Expected return on plan assets	(30.2)	(24.3)	(17.6)	—	—	—
Amortization of actuarial loss	3.0	2.8	2.6	3.6	3.9	2.8
Amortization of transition (asset) obligation	(0.2)	(0.3)	(0.4)	1.1	1.2	1.8
Amortization of prior service cost	5.4	4.3	3.9	(3.1)	(2.8)	(0.5)
Special termination benefits	—	0.1	2.3	0.3	0.2	0.2
Settlement loss	1.0	0.5	—	—	—	—
Curtailment (gain) loss	0.5	1.9	1.2	1.4	(7.7)	1.3
Net periodic benefit cost	$ 58.1	$ 53.9	$ 53.6	$ 28.5	$ 20.2	$ 32.3

Assumptions

The weighted-average actuarial assumptions used in determining the benefit obligation are shown below.

	Pension		Other Postretirement	
December 31,	**2005**	**2004**	**2005**	**2004**
Discount rate:				
Domestic plans	5.75%	6.00%	5.70%	6.00%
Foreign plans	5.00%	6.00%	5.30%	6.50%
Rate of compensation increase:				
Domestic plans	3.75%	3.00%	N/A	N/A
Foreign plans	3.25%	3.25%	N/A	N/A

Lear Corporation and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

The weighted-average actuarial assumptions used in determining net periodic benefit cost are shown below.

For the Year Ended December 31,	Pension			Other Postretirement		
	2005	2004	2003	2005	2004	2003
Discount rate:						
Domestic plans	6.00%	6.25%	6.75%	6.00%	6.25%	6.75%
Foreign plans	6.00%	6.25%	7.00%	6.50%	6.50%	7.00%
Expected return on plan assets:						
Domestic plans	7.75%	7.75%	7.75%	N/A	N/A	N/A
Foreign plans	7.00%	7.00%	7.00%	N/A	N/A	N/A
Rate of compensation increase:						
Domestic plans	3.00%	3.00%	3.75%	N/A	N/A	N/A
Foreign plans	3.25%	3.25%	3.50%	N/A	N/A	N/A

The expected return on plan assets is determined based on several factors, including adjusted historical returns, historical risk premiums for various asset classes and target asset allocations within the portfolio. Adjustments made to the historical returns are based on recent return experience in the equity and fixed income markets and the belief that deviations from historical returns are likely over the relevant investment horizon.

For measurement purposes, domestic healthcare costs were assumed to increase 10% in 2006, grading down over time to 5% in eight years. Foreign healthcare costs were assumed to increase 7% in 2006, grading down over time to 4% in ten years on a weighted average basis.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the postretirement benefit plans. A 1% increase in the assumed rate of healthcare cost increases each year would increase the postretirement benefit obligation as of December 31, 2005, by $56.0 million and increase the postretirement net periodic benefit cost by $6.1 million for the year then ended. A 1% decrease in the assumed rate of healthcare cost increases each year would decrease the postretirement benefit obligation as of December 31, 2005, by $44.8 million and decrease the postretirement net periodic benefit cost by $4.8 million for the year then ended.

Plan Assets

The Company's pension plan asset allocations by asset category are shown below (based on a September 30 measurement date). Pension plan asset allocations for the foreign plans relate to the Company's Canadian pension plans.

December 31,	2005	2004
Equity securities:		
Domestic plans	71%	70%
Foreign plans	59%	61%
Debt securities:		
Domestic plans	27%	26%
Foreign plans	38%	37%
Cash and other:		
Domestic plans	2%	4%
Foreign plans	3%	2%

The Company's investment policies incorporate an asset allocation strategy that emphasizes the long-term growth of capital, tolerating asset volatility so long as it is consistent with the volatility of the relevant market indexes. The Company believes this strategy is consistent with the long-term nature of plan liabilities and ultimate cash needs of the plans. For the domestic portfolio, the Company targets an equity allocation of 60% — 80% of plan assets, a fixed income allocation of 15% — 40% and cash allocation of 0% — 15%. For the foreign portfolio, the Company targets an equity allocation of 50% — 70% of plan assets, a fixed income allocation of 30% — 50% and a cash allocation of 0% — 10%. Differences in the target allocations of the domestic and foreign portfolios are reflective of differences in the underlying plan liabilities. Diversification within the investment portfolios is pursued by asset class and investment management style. The investment portfolios are reviewed on a quarterly basis to maintain the desired asset allocations, given the market performance of the asset classes and investment management styles.

The Company utilizes investment management firms to manage these assets in accordance with the Company's investment policies. Retained investment managers are provided investment guidelines that indicate prohibited assets, which include commodities contracts, futures contracts, options, venture capital, real estate and interest-only or principal-only strips. Derivative instruments are also prohibited without the specific approval of the Company. Investment managers are limited in the maximum size of individual security holdings and the maximum exposure to any one industry relative to the total portfolio. Fixed income managers are provided further investment guidelines that indicate minimum credit ratings for debt securities and limitations on weighted average maturity and portfolio duration.

The Company evaluates investment manager performance against market indexes which the Company believes are appropriate to the investment management style for which the investment manager has been retained. The Company's investment policies incorporate an investment goal of aggregate portfolio returns which exceed the returns of the appropriate market indexes by a reasonable spread over the relevant investment horizon. A low correlation of returns is an important criteria in the selection of additional or replacement investment managers.

Contributions

The Company expects to contribute approximately $65 million to its domestic and foreign pension plans in 2006. Contributions to the pension plans are consistent with minimum funding requirements of the relevant governmental authorities. The Company may make contributions in excess of these minimums when the Company believes it is financially advantageous to do so and based on its other capital requirements.

Benefit Payments

As of December 31, 2005, the Company's estimate of expected benefit payments in each of the five succeeding years and in the aggregate for the five years thereafter are shown below (in millions):

	Pension	Other Postretirement
2006	$ 23.2	$ 9.4
2007	24.5	10.0
2008	27.1	10.5
2009	29.2	11.3
2010	31.7	11.9
Five years thereafter	211.4	68.4

Defined Contribution and Multi-employer Pension Plans

The Company also sponsors defined contribution plans and participates in government-sponsored programs in certain foreign countries. Contributions are determined as a percentage of each covered employee's salary. The Company also participates in multi-employer pension plans for certain of its hourly employees. Contributions are based on collective bargaining agreements. For the years ended December 31, 2005, 2004 and 2003, the aggregate cost of the defined contribution and multi-employer pension plans was $25.8 million, $25.1 million and $21.3 million, respectively.

(10) Commitments and Contingencies

Legal and Other Contingencies

As of December 31, 2005 and December 31, 2004, the Company had recorded reserves for pending legal disputes, including commercial disputes and other matters, of $49.5 million and $25.2 million, respectively. Such reserves reflect amounts recognized in accordance with accounting principles generally accepted in the United States and typically exclude the cost of legal representation. Product warranty liabilities are recorded separately from legal liabilities, as described below.

Commercial Disputes

The Company is involved from time to time in legal proceedings and claims, including, without limitation, commercial or contractual disputes with its suppliers and competitors. Largely as a result of generally unfavorable industry conditions and financial distress within the automotive supply base, the Company experienced an increase in commercial and contractual disputes, particularly with its suppliers. These disputes vary in nature and are usually resolved by negotiations between the parties.

On January 29, 2002, Seton Company ("Seton"), one of the Company's leather suppliers, filed a suit alleging that the Company had breached a purported agreement to purchase leather from Seton for seats for the life of the General Motors GMT 800 program. Seton filed the lawsuit in the U.S. District Court for the Eastern District of Michigan seeking compensatory and exemplary damages totaling approximately $96.5 million, plus interest, on breach of contract and promissory estoppel claims. In May 2005, this case proceeded to trial, and the jury returned a $30.0 million verdict against the Company. On September 27, 2005, the Court denied the Company's post-trial motions challenging the judgment and granted Seton's motion to award prejudgment interest in the amount of approximately $4.7 million. The Company is appealing the judgment and the interest award.

On January 26, 2004, the Company filed a patent infringement lawsuit against Johnson Controls Inc. and Johnson Controls Interiors LLC (together, "JCI") in the U.S. District Court for the Eastern District of Michigan alleging that JCI's garage door opener products infringed certain of the Company's radio frequency transmitter patents. JCI counterclaimed seeking a declaratory judgment that the subject patents are invalid and unenforceable, and that JCI is not infringing these patents. JCI also has filed motions for summary judgment asserting that its garage door opener products do not infringe the Company's patents. The Company is vigorously pursuing its claims against JCI and discovery is on-going. A trial in the case is currently scheduled for the second quarter of 2006.

After the Company filed its patent infringement action against JCI, affiliates of JCI sued one of the Company's vendors and certain of the vendor's employees in Ottawa Circuit Court, Michigan, on July 8, 2004, alleging misappropriation of trade secrets. The suit alleges that the defendants misappropriated and shared with the Company trade secrets involving JCI's universal garage door opener product. JCI seeks to enjoin the defendants from selling or attempting to sell a competing product. The Company is not a defendant in this lawsuit; however, the agreements between the Company and the defendants contain customary indemnification provisions. The Company does not believe that its garage door opener product benefited from any allegedly misappropriated trade secrets or technology. However, JCI has sought discovery of certain information which the Company believes is confidential and proprietary, and the Company has intervened in the case for the limited purpose of protecting its rights with respect to JCI's discovery efforts. Discovery has been extended to July 2006. A trial date has not yet been scheduled.

On June 13, 2005, The Chamberlain Group ("Chamberlain") filed a lawsuit against the Company and Ford Motor Company ("Ford") in the Northern District of Illinois alleging patent infringement. Two counts were asserted against the Company and Ford based upon Chamberlain's rolling code security system patent and a related product which operates transmitters to actuate garage door openers. Two additional counts were asserted against Ford only

Lear Corporation and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

(not the Company) based upon different Chamberlain patents. The Chamberlain lawsuit was filed in connection with the marketing of the Company's universal garage door opener system, which competes with a product offered by JCI. JCI obtained technology from Chamberlain to operate its product. In October 2005, JCI joined the lawsuit as a plaintiff along with Chamberlain, and Chamberlain dismissed its infringement claims against Ford based upon its rolling security system patent. JCI and Chamberlain have filed a motion for a preliminary injunction, which the Company is contesting. The Company is vigorously defending the claims asserted in this lawsuit. A trial date has not yet been scheduled.

Product Liability Matters

In the event that use of the Company's products results in, or is alleged to result in, bodily injury and/or property damage or other losses, the Company may be subject to product liability lawsuits and other claims. In addition, the Company is a party to warranty-sharing and other agreements with its customers relating to its products. These customers may pursue claims against the Company for contribution of all or a portion of the amounts sought in connection with product liability and warranty claims. 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 such claims. In addition, if any of the Company's products are, or are alleged to be, defective, the Company may be required or requested by its customers to participate in a recall or other corrective action involving such products. Certain of the Company's customers have asserted claims against the Company for costs related to recalls or other corrective actions involving its products. In certain instances, the allegedly defective products were supplied by tier II suppliers against whom the Company has sought or will seek contribution. The Company carries insurance for certain legal matters, including product liability claims, but such coverage may be limited. The Company does not maintain insurance for product warranty or recall matters.

The Company records product warranty liabilities based on its individual customer agreements. Product warranty liabilities are recorded for known warranty issues when amounts related to such issues are probable and reasonably estimable. In certain product liability and warranty matters, the Company may seek recovery from its suppliers that supply materials or services included within the Company's products that are associated with the related claims.

A summary of the changes in product warranty liabilities for each of the two years in the period ended December 31, 2005, is shown below (in millions):

Balance as of January 1, 2004	$ 39.7
Expense, net	7.9
Settlements	(4.7)
Foreign currency translation and other	0.5
Balance as of December 31, 2004	43.4
Expense, net	16.7
Settlements	(26.0)
Foreign currency translation and other	(0.2)
Balance as of December 31, 2005	$ 33.9

Environmental Matters

The Company is subject to local, state, federal and foreign laws, regulations and ordinances which govern activities or operations that may have adverse environmental effects and which impose liability for clean-up costs resulting from past spills, disposals or other releases of hazardous wastes and environmental compliance. The Company's policy is to comply with all applicable environmental laws and to maintain an environmental management program based on ISO 14001 to ensure compliance. However, the Company currently is, has been and in the future may become the subject of formal or informal enforcement actions or procedures.

The Company has been named as a potentially responsible party at several third-party landfill sites and is engaged in the cleanup of hazardous waste at certain sites owned, leased or operated by the Company, including several properties acquired in its 1999 acquisition of UT Automotive, Inc. ("UT Automotive"). Certain present and former properties of UT Automotive are subject to environmental liabilities which may be significant. The Company obtained agreements and indemnities with respect to certain environmental liabilities from United Technologies Corporation ("UTC") in connection with its acquisition of UT Automotive. UTC manages and directly funds these environmental liabilities pursuant to its agreements and indemnities with the Company.

As of December 31, 2005 and December 31, 2004, the Company had recorded reserves for environmental matters of $5.0 million and $5.9 million, respectively. While the Company does not believe that the environmental liabilities associated with its current and former properties will have a material adverse effect on its business, consolidated financial position or results of operations, no assurances can be given in this regard.

One of the Company's subsidiaries and certain predecessor companies were named as defendants in an action filed by three plaintiffs in August 2001 in the Circuit Court of Lowndes County, Mississippi, asserting claims stemming from alleged environmental contamination caused by an automobile parts manufacturing plant located in Columbus, Mississippi. The plant was acquired by the Company as part of its acquisition of UT Automotive in May 1999 and sold almost immediately thereafter, in June 1999, to Johnson Electric Holdings Limited ("Johnson Electric"). In December 2002, 61 additional cases were filed by approximately 1,000 plaintiffs in the same court against the Company and other defendants relating to similar claims. In September 2003, the Company was dismissed as a party to these cases. In the first half of 2004, the Company was named again as a defendant in these same 61 additional cases and was also named in five new actions filed by approximately 150 individual plaintiffs related to alleged environmental contamination from the same facility. The plaintiffs in these actions are persons who allegedly were either residents and/or owned property near the facility or worked at the facility. In November 2004, two additional lawsuits were filed by 28 plaintiffs (individuals and organizations), alleging property damage as a result of the alleged contamination. Each of these complaints seeks compensatory and punitive damages.

All of the plaintiffs have dismissed their claims for health effects and personal injury damages without prejudice. There is the potential that these plaintiffs could seek separate counsel to re-file their personal injury claims. Currently, there are approximately 270 plaintiffs remaining in the lawsuits who are proceeding with property damage claims only. In March 2005, the venue for these lawsuits was transferred from Lowndes County, Mississippi, to Lafayette County, Mississippi. In April 2005, certain plaintiffs filed an amended complaint alleging negligence, nuisance, intentional tort and conspiracy claims and seeking compensatory and punitive damages. In April 2005, the court scheduled the first trial date for the first group of plaintiffs to commence March 2006. The March 2006 trial date has since been continued until a date to be set by the court, and discovery has extended into the first quarter of 2006.

UTC, the former owner of UT Automotive, and Johnson Electric have each sought indemnification for losses associated with the Mississippi claims from the Company under the respective acquisition agreements, and the Company has claimed indemnification from them under the same agreements. To date, no company admits to, or has been found to have, an obligation to fully defend and indemnify any other. The Company intends to vigorously defend against these claims and believes that it will eventually be indemnified by either UTC or Johnson Electric for a substantial portion of the resulting losses, if any. However, the ultimate outcome of these matters is unknown.

Other Matters

In January 2004, the Securities and Exchange Commission (the "SEC") commenced an informal inquiry into the Company's September 2002 amendment of its 2001 Form 10-K. The amendment was filed to report the Company's employment of relatives of certain of its directors and officers and certain related party transactions. The

SEC's inquiry does not relate to the Company's consolidated financial statements. In February 2005, the staff of the SEC informed the Company that it proposed to recommend to the SEC that it issue an administrative "cease and desist" order as a result of the Company's failure to disclose the related party transactions in question prior to the amendment of its 2001 Form 10-K. The Company expects to consent to the entry of the order as part of a settlement of this matter.

In February 2006, the Company received a subpoena from the SEC in connection with an ongoing investigation of General Motors Corporation by the SEC. This investigation has been previously reported by General Motors as involving, among other things, General Motors' accounting for payments and credits by suppliers. The SEC subpoena seeks the production of documents relating to payments or credits by the Company to General Motors from 2001 to the present. The Company is cooperating with the SEC in connection with this matter.

Prior to the Company's acquisition of UT Automotive from UTC in May 1999, one of the Company's subsidiaries purchased the stock of a UT Automotive subsidiary. In connection with the acquisition, the Company agreed to indemnify UTC for certain tax consequences if the Internal Revenue Service (the "IRS") overturned UTC's tax treatment of the transaction. The IRS proposed an adjustment to UTC's tax treatment of the transaction seeking an increase in tax of $87.5 million, excluding interest. In April 2005, a protest objecting to the proposed adjustment was filed with the IRS. The case was then referred to the Appeals Office of the IRS for an independent review. There have been several meetings and discussions with the IRS Appeals personnel in an attempt to resolve the case. Although the Company believes that valid support exists for UTC's tax positions, the Company and UTC are currently in settlement negotiations with the IRS. An indemnity payment by the Company to UTC for the ultimate amount due to the IRS would constitute an adjustment to the purchase price and resulting goodwill of the UT Automotive acquisition, if and when made, and would not be expected to have a material effect on the Company's reported earnings.

Although the Company records reserves for legal, product warranty and environmental matters in accordance with SFAS No. 5, "Accounting for Contingencies," the outcomes of these matters are inherently uncertain. Actual results may differ significantly from current estimates.

The Company is involved in certain other legal actions and claims arising in the ordinary course of business, including, without limitation, commercial disputes, intellectual property matters, personal injury claims, tax claims and employment matters. Although the outcome of any legal matter cannot be predicted with certainty, the Company does not believe that any of these other legal proceedings or matters in which the Company is currently involved, either individually or in the aggregate, will have a material adverse effect on its business, consolidated financial position or results of operations.

Employees

Approximately 77% of the Company's employees are members of industrial trade unions and are employed under the terms of collective bargaining agreements. Collective bargaining agreements covering approximately 57% of the Company's unionized workforce of approximately 92,000 employees, including 16% of the Company's unionized workforce in the United States and Canada, are scheduled to expire in 2006. Management does not anticipate any significant difficulties with respect to the agreements as they are renewed.

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Notes to Consolidated Financial Statements — (Continued)

Lease Commitments

A summary of lease commitments as of December 31, 2005, under non-cancelable operating leases with terms exceeding one year is shown below (in millions):

2006	$ 113.5
2007	68.7
2008	58.4
2009	51.0
2010	43.4
2011 and thereafter	49.7
Total	$ 384.7

In addition, the Company guarantees the residual value of certain of its leased assets. As of December 31, 2005, these guarantees totaled $26.6 million and are reflected in the lease commitments table above.

The Company's operating leases cover principally buildings and transportation equipment. Rent expense was $136.1 million, $125.0 million and $119.5 million for the years ended December 31, 2005, 2004 and 2003, respectively.

(11) Segment Reporting

The Company has three reportable operating segments: seating, interior and electronic and electrical. The seating segment includes seat systems and components thereof. The interior segment includes instrument panels and cockpit systems, headliners and overhead systems, door panels, flooring and acoustic systems and other interior products. The electronic and electrical segment includes electronic products and electrical distribution systems, primarily wire harnesses and junction boxes; interior control and entertainment systems; and wireless systems.

Each of the Company's operating segments reports its results from operations and makes its requests for capital expenditures directly to the chief operating decision-making group. The economic performance of each operating segment is driven primarily by automobile production volumes in the geographic regions in which it operates, as well as by the success of the vehicle platforms for which it supplies products. Also, each operating segment operates in the competitive tier I automotive supplier environment and is continually working with its customers to manage costs and improve quality. The Company's manufacturing facilities generally use just-in-time manufacturing techniques to produce and distribute their automotive interior products. The Company's production processes generally make use of unskilled labor, dedicated facilities, sequential manufacturing processes and commodity raw materials. The Other category includes the corporate headquarters, geographic headquarters and the elimination of intercompany activities, none of which meets the requirements of being classified as an operating segment.

The accounting policies of the Company's operating segments are the same as those described in Note 2, "Summary of Significant Accounting Policies." The Company evaluates the performance of its operating segments based primarily on (i) revenues from external customers, (ii) income (loss) before goodwill impairment charges, interest, other expense, provision for income taxes, minority interests in consolidated subsidiaries and equity in net (income) loss of affiliates ("segment earnings") and (iii) cash flows, being defined as segment earnings less capital expenditures plus depreciation and amortization.

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Notes to Consolidated Financial Statements — (Continued)

A summary of revenues from external customers and other financial information by reportable operating segment is shown below (in millions):

	2005				
	Seating	Interior	Electronic and Electrical	Other	Consolidated
Revenues from external customers	$ 11,035.0	$ 3,097.6	$ 2,956.6	$ —	$ 17,089.2
Segment earnings(1)	323.3	(191.1)	180.0	(206.8)	105.4
Depreciation and amortization	150.7	116.6	106.0	20.1	393.4
Capital expenditures	229.2	190.9	102.9	45.4	568.4
Total assets	3,946.3	1,506.8	2,161.3	674.0	8,288.4

	2004				
	Seating	Interior	Electronic and Electrical	Other	Consolidated
Revenues from external customers	$ 11,314.6	$ 2,965.0	$ 2,680.4	$ —	$ 16,960.0
Segment earnings(1)	682.1	85.1	210.9	(209.7)	768.4
Depreciation and amortization	133.4	108.9	89.9	22.9	355.1
Capital expenditures	208.6	86.9	116.4	17.1	429.0
Total assets	4,172.7	2,403.6	2,297.3	1,070.8	9,944.4

	2003				
	Seating	Interior	Electronic and Electrical	Other	Consolidated
Revenues from external customers	$ 10,743.8	$ 2,817.1	$ 2,185.8	$ —	$ 15,746.7
Segment earnings(1)	696.7	104.0	200.2	(228.1)	772.8
Depreciation and amortization	129.1	108.1	70.7	13.9	321.8
Capital expenditures	122.4	113.5	108.2	31.5	375.6
Total assets	3,588.7	2,414.3	1,954.2	613.8	8,571.0

(1) See definition above.

In 2005, the Company changed its allocation of cash and cash equivalents. Cash and cash equivalents, previously reflected in the reportable operating segments, has been reflected in total in “Other.” In 2004, the Company changed its allocation of goodwill. Goodwill, previously reflected in “Other,” has been allocated to the reportable operating segments. Total assets by reportable operating segment as of December 31, 2004 and 2003, reflect these changes. In addition, prior years’ reportable operating segment information has been reclassified to reflect the current organizational structure of the Company.

For the year ended December 31, 2005, segment earnings includes restructuring charges of $30.9 million, $27.9 million, $30.0 million and $2.0 million in the seating, interior and electronic and electrical segments and in the other category, respectively (Note 3, “Restructuring”). In addition, segment earnings includes additional fixed asset impairment charges of $82.3 million in the interior segment (Note 2, “Summary of Significant Accounting Policies”).

For the year ended December 31, 2004, segment earnings includes restructuring charges of $7.8 million in the seating segment.

Lear Corporation and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

For the year ended December 31, 2003, segment earnings includes restructuring charges of $25.5 million in the seating segment. In addition, segment earnings includes additional fixed asset impairment charges of $2.3 million, $0.8 million and $2.8 million in the seating, interior and electronic and electrical segments, respectively.

A reconciliation of consolidated income before goodwill impairment charges, interest, other expense, provision for income taxes, minority interests in consolidated subsidiaries and equity in net (income) loss of affiliates to income (loss) before provision for income taxes, minority interests in consolidated subsidiaries and equity in net (income) loss of affiliates is shown below (in millions):

For the Year Ended December 31,	2005	2004	2003
Income before goodwill impairment charges, interest, other expense, provision for income taxes, minority interests in consolidated subsidiaries, equity in net (income) loss of affiliates	$ 105.4	$ 768.4	$ 772.8
Goodwill impairment charges	1,012.8	—	—
Interest expense	183.2	165.5	186.6
Other expense, net	38.0	38.6	51.8
Income (loss) before provision for income taxes, minority interests in consolidated subsidiaries and equity in net (income) loss of affiliates	$ (1,128.6)	$ 564.3	$ 534.4

Revenues from external customers and tangible long-lived assets for each of the geographic areas in which the Company operates is shown below (in millions):

For the Year Ended December 31,	2005	2004	2003
Revenues from external customers:			
United States	$ 6,252.2	$ 6,200.7	$ 6,361.9
Canada	1,374.1	1,317.8	1,331.6
Germany	2,123.4	2,026.0	1,705.9
Other countries	7,339.5	7,415.5	6,347.3
Total	$ 17,089.2	$ 16,960.0	$ 15,746.7

December 31,	2005	2004	2003
Tangible long-lived assets:			
United States	$ 889.0	$ 846.5	$ 814.2
Canada	69.0	65.5	59.2
Germany	185.1	238.6	159.6
Other countries	876.2	869.2	784.8
Total	$ 2,019.3	$ 2,019.8	$ 1,817.8

A substantial majority of the Company’s consolidated and reportable operating segment revenues are from four automotive manufacturing companies, with General Motors and Ford and their respective affiliates accounting for 53%, 56% and 59% of the Company’s net sales in 2005, 2004 and 2003, respectively. Excluding net sales to Saab, Volvo, Jaguar and Land Rover, which are affiliates of General Motors or Ford, General Motors and Ford accounted for approximately 44%, 46% and 51% of the Company's net sales in 2005, 2004 and 2003, respectively. The following is a summary of the percentage of revenues from major customers:

For the Year Ended December 31,	2005	2004	2003
General Motors Corporation	28.3%	31.4%	35.7%
Ford Motor Company	24.7	24.1	23.6
DaimlerChrysler	11.4	11.8	11.1
BMW	7.6	7.5	7.0

In addition, a portion of the Company's remaining revenues are from the above automotive manufacturing companies through various other automotive suppliers.

(12) Financial Instruments

The carrying values of the Company's senior notes vary from the fair values of these instruments. The fair values were determined by reference to quoted market prices of these securities. As of December 31, 2005 and 2004, the aggregate carrying value of the Company's senior notes was $1.8 billion and $2.4 billion, respectively, as compared to an estimated fair value of $1.6 billion and $2.6 billion, respectively. As of December 31, 2005 and 2004, the carrying values of the Company's other senior indebtedness and other financial instruments approximated their fair values, which were determined based on related instruments currently available to the Company for similar borrowings with like maturities.

Certain of the Company's European and Asian subsidiaries periodically factor their accounts receivable with financial institutions. Such receivables are factored without recourse to the Company and are excluded from accounts receivable in the consolidated balance sheets. As of December 31, 2005, the amount of factored receivables was $256.2 million. As of December 31, 2004, there were no factored accounts receivable. The Company cannot provide any assurances that these factoring facilities will be available or utilized in the future.

Asset-Backed Securitization Facility

The Company and several of its U.S. subsidiaries sell certain accounts receivable to a wholly owned, consolidated, bankruptcy-remote special purpose corporation (Lear ASC Corporation) under an asset-backed securitization facility (the "ABS facility"). In turn, Lear ASC Corporation transfers undivided interests in the receivables to bank-sponsored commercial paper conduits. As of December 31, 2005, the ABS facility provided for maximum purchases of adjusted accounts receivable of $150 million. The level of funding utilized under this facility is based on the credit ratings of the Company's major customers, the level of aggregate accounts receivable in a specific month and the Company's funding requirements. Should the Company's major customers experience further reductions in their credit ratings, the Company may be unable to utilize the ABS facility in the future. Should this occur, the Company would intend to utilize its Amended and Restated Primary Credit Facility to replace the funding currently provided by the ABS facility. In October 2005, the ABS facility was amended to extend the termination date from November 2005 to October 2006. No assurances can be given that the ABS facility will be extended upon its maturity.

The Company retains a subordinated ownership interest in the pool of receivables sold to Lear ASC Corporation. This retained interest is recorded at fair value, which is generally based on a discounted cash flow analysis. As of December 31, 2005, accounts receivable totaling $673.4 million had been transferred to Lear ASC Corporation, including $523.4 million of retained interests, which serves as credit enhancement for the facility and is included in accounts receivable in the consolidated balance sheet as of December 31, 2005, and $150.0 million of undivided interests, which was transferred to the conduits and is excluded from accounts receivable in the consolidated balance sheet as of December 31, 2005. As of December 31, 2004, accounts receivable totaling $654.4 million had been transferred to Lear ASC Corporation, but no undivided interests in the receivables were transferred to the conduits. As such, this retained interest is included in accounts receivable in the consolidated balance sheet as of December 31, 2004.

During the years ended December 31, 2005, 2004 and 2003, the Company and its subsidiaries sold to Lear ASC Corporation adjusted accounts receivable totaling $4.2 billion, $4.7 billion and $4.6 billion, respectively, under the ABS facility and recognized discounts of $4.7 million, $1.4 million and $2.6 million, respectively. These discounts are included in other expense, net, in the consolidated statements of operations for the years ended December 31, 2005, 2004 and 2003. The Company continues to service the transferred receivables and receives an annual servicing fee of 1.0% of the sold accounts receivable. The conduit investors and Lear ASC Corporation have no recourse to the other assets of the Company or its subsidiaries for the failure of the accounts receivable obligors to pay timely on the accounts receivable.

Certain cash flows received from and paid to Lear ASC Corporation are shown below (in millions):

For the Year Ended December 31,	2005	2004	2003
Proceeds from (repayments of) securitizations	$ 150.0	$ —	$ (189.0)
Proceeds from collections reinvested in securitizations	4,288.1	4,664.4	4,584.6
Servicing fees received	5.3	5.5	5.3

In December 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation ("FIN") No. 46 (revised December 2003), "Consolidation of Variable Interest Entities," the provisions of which applied to Lear ASC Corporation and the bank conduits as of December 31, 2003. This interpretation requires the consolidation of a variable interest entity by its primary beneficiary and may require the consolidation of a portion of a variable interest entity's assets or liabilities under certain circumstances.

Under the provisions of FIN No. 46, Lear ASC Corporation is a variable interest entity. The accounts of this entity have historically been included in the consolidated financial statements of the Company, as this entity is a wholly owned subsidiary of Lear. In addition, the bank conduits, which purchase undivided interests in the Company's sold accounts receivable, are variable interest entities. Under the current ABS facility, the provisions of FIN No. 46 do not require the Company to consolidate any of the bank conduits' assets or liabilities.

Derivative Instruments and Hedging Activities

The Company uses derivative financial instruments, including forward foreign exchange, futures, option and swap contracts, to manage its exposures to fluctuations in foreign exchange rates and interest rates. The use of these financial instruments mitigates the Company's exposure to these risks with the intent of reducing the risks and the variability of the Company's operating results. The Company is not a party to leveraged derivatives. On the date a derivative contract is entered into, the Company designates the derivative as either (1) a hedge of a recognized asset or liability or of an unrecognized firm commitment (a fair value hedge), (2) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (a cash flow hedge) or (3) a hedge of a net investment in a foreign operation (a net investment hedge).

For a fair value hedge, both the effective and ineffective portions of the change in the fair value of the derivative are recorded in earnings and reflected in the consolidated statement of operations on the same line as the gain or loss on the hedged item attributable to the hedged risk. For a cash flow hedge, the effective portion of the change in the fair value of the derivative is recorded in accumulated other comprehensive income (loss) in the consolidated balance sheet. When the underlying hedged transaction is realized, the gain or loss included in accumulated other comprehensive income (loss) is recorded in earnings and reflected in the consolidated statement of operations on the same line as the gain or loss on the hedged item attributable to the hedged risk. For a net investment hedge of a foreign operation, the effective portion of the change in the fair value of the derivative is recorded in cumulative translation adjustment, which is a component of accumulated other comprehensive income (loss) in the consolidated balance sheet. In addition, for both cash flow and net investment hedges, changes in the fair value excluded from the Company's effectiveness assessments and the ineffective portion of changes in the fair value are recorded in earnings and reflected in the consolidated statement of operations as other expense, net.

The Company formally documents its hedge relationships, including the identification of the hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the hedge transaction. Derivatives are recorded at fair value in other current and long-term assets and other current and long-term liabilities in the consolidated balance sheet. This process includes linking derivatives that are designated as hedges of specific assets, liabilities, firm commitments or forecasted transactions. The Company also formally assesses, both at inception and at least quarterly thereafter, whether a derivative used in a hedging transaction is highly effective in offsetting changes in either the fair value or cash flows of the hedged item. When it is determined that a derivative ceases to be a highly effective hedge, the Company discontinues hedge accounting.

Forward foreign exchange, futures and option contracts — The Company uses forward foreign exchange, futures and option contracts to reduce the effect of fluctuations in foreign exchange rates on short-term, foreign currency denominated intercompany transactions and other known foreign currency exposures. Gains and losses on the derivative instruments are intended to offset gains and losses on the hedged transaction in an effort to reduce the earnings volatility resulting from fluctuations in foreign exchange rates. The principal currencies hedged by the Company include the Mexican peso, the Canadian dollar and the Euro. Forward foreign exchange and futures contracts are accounted for as fair value hedges when the hedged item is a recognized asset or liability or an unrecognized firm commitment. As of December 31, 2005, contracts designated as fair value hedges with $1.1 billion of notional amount were outstanding with maturities of less than five months. As of December 31, 2005, the fair market value of these contracts was approximately negative $1.0 million. Forward foreign exchange, futures and option contracts are accounted for as cash flow hedges when the hedged item is a forecasted transaction or the variability of cash flows to be paid or received relates to a recognized asset or liability. As of December 31, 2005, contracts designated as cash flow hedges with $906.7 million of notional amount were outstanding with maturities of less than twelve months. As of December 31, 2005, the fair market value of these contracts was approximately $0.8 million.

Interest rate swap contracts — The Company uses interest rate swap contracts to manage its exposure to fluctuations in interest rates. Interest rate swap contracts which fix the interest payments of certain variable rate debt instruments or fix the market rate component of anticipated fixed rate debt instruments are accounted for as cash flow hedges. Interest rate swap contracts which hedge the change in fair market value of certain fixed rate debt instruments are accounted for as fair value hedges. As of December 31, 2005, contracts representing $600 million of notional amount were outstanding with maturity dates of September 2007 through May 2009. Of these outstanding contracts, $300.0 million modify the fixed rate characteristics of the Company's outstanding 8.11% senior notes due May 2009. These contracts convert fixed rate obligations into variable rate obligations with coupons which reset semi-annually based on LIBOR plus spreads of 4.58%. However, the effective cost of these contracts, including the impact of swap contract restructuring, is LIBOR plus 3.85%. The remaining $300.0 million modify the variable rate characteristics of the Company's variable rate debt instruments, which are generally set at three-month LIBOR rates. These contracts convert variable rate obligations into fixed rate obligations with a weighted average interest rate of 4.17% and mature in September 2007. The fair market value of all outstanding interest rate swap contracts is subject to changes in value due to changes in interest rates. As of December 31, 2005, the fair market value of these contracts was approximately negative $10.4 million.

As of December 31, 2005 and 2004, net gains of approximately $9.0 million and $17.4 million, respectively, related to derivative instruments and hedging activities were recorded in accumulated other comprehensive income (loss). During the years ended December 31, 2005, 2004 and 2003, net gains (losses) of approximately $33.5 million, $(7.4) million and $(32.4) million, respectively, related to the Company's hedging activities were reclassified from accumulated other comprehensive income (loss) into earnings. As of December 31, 2005, all cash flow hedges mature within twelve months, all fair value hedges of the Company's foreign exchange exposure mature within five months and all fair value hedges of the Company's fixed rate debt instruments mature within four years. During the

Lear Corporation and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

year ending December 31, 2006, the Company expects to reclassify into earnings net gains of approximately $3.6 million recorded in accumulated other comprehensive income (loss). Such gains will be reclassified at the time the underlying hedged transactions are realized. During the years ended December 31, 2005, 2004 and 2003, amounts recognized in the consolidated statements of operations related to changes in the fair value of cash flow and fair value hedges excluded from the effectiveness assessments and the ineffective portion of changes in the fair value of cash flow and fair value hedges were not material.

Non-U.S. dollar financing transactions — The Company has designated its Euro-denominated senior notes (Note 7, "Long-Term Debt") as a net investment hedge of long-term investments in its Euro-functional subsidiaries. As of December 31, 2005, the amount recorded in cumulative translation adjustment related to the effective portion of the net investment hedge of foreign operations was approximately negative $71.8 million.

(13) Quarterly Financial Data (unaudited)

	Thirteen Weeks Ended			
	April 2, 2005	July 2, 2005	October 1, 2005	December 31, 2005
Net sales	$ 4,286.0	$ 4,419.3	$ 3,986.6	$ 4,397.3
Gross profit	199.9	220.8	86.4	228.9
Goodwill impairment charges	—	—	670.0	342.8
Net income (loss)	15.6	(44.4)	(750.1)	(602.6)
Basic net income (loss) per share	0.23	(0.66)	(11.17)	(8.97)
Diluted net income (loss) per share	0.23	(0.66)	(11.17)	(8.97)

	Thirteen Weeks Ended			
	April 3, 2004	July 3, 2004	October 2, 2004	December 31, 2004
Net sales	$ 4,492.1	$ 4,284.0	$ 3,897.8	$ 4,286.1
Gross profit	346.9	371.6	320.2	363.4
Net income	91.4	116.1	91.7	123.0
Basic net income per share	1.34	1.69	1.34	1.82
Diluted net income per share (restated — Note 2)	1.24	1.58	1.26	1.70

(14) Accounting Pronouncements

Inventory Costs — The FASB issued SFAS No. 151, "Inventory Costs — an amendment of ARB No. 43, Chapter 4." This statement clarifies the requirement that abnormal inventory-related costs be recognized as current-period charges and requires that the allocation of fixed production overheads to inventory conversion costs be based on the normal capacity of the production facilities. The provisions of this statement are to be applied prospectively to inventory costs incurred during fiscal years beginning after June 15, 2005. The Company does not expect the effects of adoption to be significant.

Nonmonetary Assets — The FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets — an amendment of APB Opinion No. 29." APB Opinion No. 29, in general, requires the use of fair value as the measurement basis for exchanges of nonmonetary assets. This statement eliminates the exception to the fair value measurement principle for nonmonetary exchanges of similar productive assets and replaces it with a general exception for nonmonetary asset exchanges that lack commercial substance. The provisions of this statement are to be applied prospectively to nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Company does not expect the effects of adoption to be significant.

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Notes to Consolidated Financial Statements — (Continued)

Stock-Based Compensation — The FASB issued a revised SFAS No. 123, "Share-Based Payment." This statement requires that all share-based payments to employees be recognized in the financial statements based on their grant-date fair value. Under previous guidance, companies had the option of recognizing the fair value of stock-based compensation in the consolidated financial statements or disclosing the proforma impact of stock-based compensation on the consolidated statement of operations in the notes to the consolidated financial statements. As described in Note 2, "Summary of Significant Accounting Policies," the Company adopted the fair value recognition provisions of SFAS No. 123 for all employee awards issued after January 1, 2003. The revised statement is effective at the beginning of the first annual period beginning after June 15, 2005, and provides two methods of adoption, the modified-prospective method and the modified-retrospective method. The Company anticipates adopting the revised statement using the modified-prospective method. The Company is currently evaluating the provisions of the revised statement but does not expect the impact of adoption to be significant.

Conditional Asset Retirement Obligations — The FASB issued FIN No. 47, "Accounting for Conditional Asset Retirement Obligations." FIN 47 requires the accrual of costs related to legal obligations to perform certain activities in connection with the retirement, disposal or abandonment of assets. The effects of adoption were not significant.

Financial Instruments — The FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments — an amendment of FASB Statements No. 133 and 140." This statement resolves issues related to the application of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," to beneficial interests in securitized assets. The provisions of this statement are to be applied prospectively to all financial instruments acquired or issued during fiscal years beginning after September 15, 2006. The Company is currently evaluating the provisions of this statement but does not expect the effects of adoption to be significant.

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Notes to Consolidated Financial Statements — (Continued)

(15) Supplemental Guarantor Condensed Consolidating Financial Statements

	December 31, 2005				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
	(In millions)				
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 38.6	$ 4.8	$ 164.2	$ —	$ 207.6
Accounts receivable	111.3	398.3	1,828.0	—	2,337.6
Inventories	32.4	244.3	411.5	—	688.2
Recoverable customer engineering and tooling	188.9	19.3	109.5	—	317.7
Other	118.2	56.5	120.6	—	295.3
Total current assets	489.4	723.2	2,633.8	—	3,846.4
LONG-TERM ASSETS:					
Property, plant and equipment, net	248.7	743.3	1,027.3	—	2,019.3
Goodwill, net	454.5	536.5	948.8	—	1,939.8
Investments in subsidiaries	3,274.0	3,090.5	—	(6,364.5)	—
Other	181.4	30.7	270.8	—	482.9
Total long-term assets	4,158.6	4,401.0	2,246.9	(6,364.5)	4,442.0
	$ 4,648.0	$ 5,124.2	$ 4,880.7	$ (6,364.5)	$ 8,288.4
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Short-term borrowings	$ —	$ —	$ 23.4	$ —	$ 23.4
Accounts payable and drafts	388.7	785.6	1,819.2	—	2,993.5
Accrued employee benefits	87.2	32.7	48.6	—	168.5
Other accrued liabilities	155.5	178.8	577.6	—	911.9
Current portion of long-term debt	2.1	2.1	5.2	—	9.4
Total current liabilities	633.5	999.2	2,474.0	—	4,106.7
LONG-TERM LIABILITIES:					
Long-term debt	2,194.7	8.4	40.0	—	2,243.1
Intercompany accounts, net	410.0	1,237.4	(1,647.4)	—	—
Other	298.8	158.0	370.8	—	827.6
Total long-term liabilities	2,903.5	1,403.8	(1,236.6)	—	3,070.7
STOCKHOLDERS' EQUITY	1,111.0	2,721.2	3,643.3	(6,364.5)	1,111.0
	$ 4,648.0	$ 5,124.2	$ 4,880.7	$ (6,364.5)	$ 8,288.4

Lear Corporation and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

	December 31, 2004				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
			(In millions)		
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 123.5	$ 3.8	$ 457.6	$ —	$ 584.9
Accounts receivable	58.3	439.5	2,087.1	—	2,584.9
Inventories	20.8	189.9	410.5	—	621.2
Recoverable customer engineering and tooling	117.6	2.7	85.5	—	205.8
Other	119.0	62.5	193.7	—	375.2
Total current assets	439.2	698.4	3,234.4	—	4,372.0
LONG-TERM ASSETS:					
Property, plant and equipment, net	180.1	735.4	1,104.3	—	2,019.8
Goodwill, net	456.0	1,569.5	1,013.9	—	3,039.4
Investments in subsidiaries	3,685.7	3,241.5	—	(6,927.2)	—
Other	174.6	35.5	303.1	—	513.2
Total long-term assets	4,496.4	5,581.9	2,421.3	(6,927.2)	5,572.4
	$ 4,935.6	$ 6,280.3	$ 5,655.7	$ (6,927.2)	$ 9,944.4
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Short-term borrowings	$ —	$ —	$ 35.4	$ —	$ 35.4
Accounts payable and drafts	326.3	714.0	1,737.3	—	2,777.6
Accrued employee benefits	143.0	36.8	64.5	—	244.3
Other accrued liabilities	76.6	229.9	651.3	—	957.8
Current portion of long-term debt	626.5	2.4	3.9	—	632.8
Total current liabilities	1,172.4	983.1	2,492.4	—	4,647.9
LONG-TERM LIABILITIES:					
Long-term debt	1,826.1	12.0	28.8	—	1,866.9
Intercompany accounts, net	(1,014.8)	1,687.9	(673.1)	—	—
Other	221.8	173.8	303.9	—	699.5
Total long-term liabilities	1,033.1	1,873.7	(340.4)	—	2,566.4
STOCKHOLDERS' EQUITY	2,730.1	3,423.5	3,503.7	(6,927.2)	2,730.1
	$ 4,935.6	$ 6,280.3	$ 5,655.7	$ (6,927.2)	$ 9,944.4

Lear Corporation and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

	For the Year Ended December 31, 2005				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
			(In millions)		
Net sales	$ 1,657.2	$ 6,599.0	$ 11,350.1	$ (2,517.1)	$ 17,089.2
Cost of sales	1,727.4	6,568.4	10,574.5	(2,517.1)	16,353.2
Selling, general and administrative expenses	309.6	2.8	318.2	—	630.6
Goodwill impairment charges	—	1,012.8	—	—	1.012.8
Interest expense	45.9	105.0	32.3	—	183.2
Intercompany (income) expense, net	(373.7)	308.2	65.5	—	—
Other expense, net	6.4	19.1	12.5	—	38.0
Income (loss) before provision (benefit) for income taxes, minority interests in consolidated subsidiaries and equity in net (income) loss of affiliates and subsidiaries	(58.4)	(1,417.3)	347.1	—	(1,128.6)
Provision (benefit) for income taxes	270.2	(136.4)	60.5	—	194.3
Minority interests in consolidated subsidiaries	—	—	7.2	—	7.2
Equity in net (income) loss of affiliates	40.6	(3.5)	14.3	—	51.4
Equity in net (income) loss of subsidiaries	1,012.3	(224.5)	—	(787.8)	—
Net income (loss)	$ (1,381.5)	$ (1,052.9)	$ 265.1	$ 787.8	$ (1,381.5)

Lear Corporation and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

	For the Year Ended December 31, 2004				
	Parent	Guarantors	Non-Guarantors (In millions)	Eliminations	Consolidated
Net sales	$ 1,652.1	$ 6,937.7	$ 10,990.3	$ (2,620.1)	$ 16,960.0
Cost of sales	1,739.9	6,270.1	10,168.0	(2,620.1)	15,557.9
Selling, general and administrative expenses	205.3	129.4	299.0	—	633.7
Interest expense	30.2	100.6	34.7	—	165.5
Intercompany (income) expense, net	(317.2)	377.6	(60.4)	—	—
Other (income) expense, net	(17.8)	29.7	26.7	—	38.6
Income before provision (benefit) for income taxes, minority interests in consolidated subsidiaries and equity in net (income) loss of affiliates and subsidiaries	11.7	30.3	522.3	—	564.3
Provision (benefit) for income taxes	(17.9)	18.4	127.5	—	128.0
Minority interests in consolidated subsidiaries	—	—	16.7	—	16.7
Equity in net (income) loss of affiliates	0.3	(3.3)	0.4	—	(2.6)
Equity in net income of subsidiaries	(392.9)	(301.2)	—	694.1	—
Net income	$ 422.2	$ 316.4	$ 377.7	$ (694.1)	$ 422.2

	For the Year Ended December 31, 2003				
	Parent	Guarantors	Non-Guarantors (In millions)	Eliminations	Consolidated
Net sales	$ 1,651.2	$ 7,156.9	$ 9,404.2	$ (2,465.6)	$ 15,746.7
Cost of sales	1,648.5	6,426.0	8,791.4	(2,465.6)	14,400.3
Selling, general and administrative expenses	211.9	131.1	230.6	—	573.6
Interest expense	30.4	104.4	51.8	—	186.6
Intercompany (income) expense, net	(382.7)	337.9	44.8	—	—
Other expense, net	2.9	37.6	11.3	—	51.8
Income before provision for income taxes, minority interests in consolidated subsidiaries and equity in net income of affiliates and subsidiaries	140.2	119.9	274.3	—	534.4
Provision for income taxes	6.9	39.8	107.0	—	153.7
	—	—	8.8	—	8.8

Minority interests in consolidated subsidiaries					
Equity in net income of affiliates	(0.4)	(2.4)	(5.8)	—	(8.6)
Equity in net income of subsidiaries	(246.8)	(127.3)	—	374.1	—
Net income	$ 380.5	$ 209.8	$ 164.3	$ (374.1)	$ 380.5

Lear Corporation and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

	For the Year Ended December 31, 2005				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
			(In millions)		
Net Cash Provided by Operating Activities	$ (260.7)	$ (30.5)	$ 852.0	$ —	$ 560.8
Cash Flows from Investing Activities:					
Additions to property, plant and equipment	(123.0)	(235.9)	(209.5)	—	(568.4)
Cost of acquisitions, net of cash acquired	—	—	(11.8)	—	(11.8)
Net proceeds from disposition of businesses and other assets	7.8	16.1	19.7	—	43.6
Other, net	1.9	0.6	2.8	—	5.3
Net cash used in investing activities	(113.3)	(219.2)	(198.8)	—	(531.3)
Cash Flows from Financing Activities:					
Repayment of senior notes	(600.0)	—	—	—	(600.0)
Primary credit facility borrowings	400.0	—	—	—	400.0
Other long-term debt repayments, net	(17.7)	(2.2)	(12.8)	—	(32.7)
Short-term debt repayments, net	—	—	(23.8)	—	(23.8)
Change in intercompany accounts	601.1	249.2	(850.3)	—	—
Dividends paid	(67.2)	—	—	—	(67.2)
Proceeds from exercise of stock options	4.7	—	—	—	4.7
Repurchase of common stock	(25.4)	—	—	—	(25.4)
Decrease in drafts	(7.1)	1.5	2.3	—	(3.3)
Other, net	0.7	—	—	—	0.7
Net cash used in financing activities	289.1	248.5	(884.6)	—	(347.0)
Effect of foreign currency translation	—	2.2	(62.0)	—	(59.8)
Net Change in Cash and Cash Equivalents	(84.9)	1.0	(293.4)	—	(377.3)
Cash and Cash Equivalents at Beginning of Year	123.5	3.8	457.6	—	584.9
Cash and Cash Equivalents at End of Year	$ 38.6	$ 4.8	$ 164.2	$ —	$ 207.6

Lear Corporation and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

	For the Year Ended December 31, 2004				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
			(In millions)		
Net Cash Provided by Operating Activities	$ 100.6	$ 32.9	$ 542.4	$ —	$ 675.9
Cash Flows from Investing Activities:					
Additions to property, plant and equipment	(71.6)	(146.2)	(211.2)	—	(429.0)
Cost of acquisitions, net of cash acquired	(14.1)	(3.3)	(85.6)	—	(103.0)
Net proceeds from disposition of businesses and other assets	15.3	13.2	27.8	—	56.3
Other, net	0.8	0.1	2.3	—	3.2
Net cash used in investing activities	(69.6)	(136.2)	(266.7)	—	(472.5)
Cash Flows from Financing Activities:					
Issuance of senior notes	399.2	—	—	—	399.2
Other long-term debt repayments, net	(11.4)	1.0	(39.0)	—	(49.4)
Short-term debt repayments, net	(0.3)	(0.1)	(29.4)	—	(29.8)
Change in intercompany accounts	(189.1)	97.9	91.2	—	—
Dividends paid	(68.0)	—	—	—	(68.0)
Proceeds from exercise of stock options	24.4	—	—	—	24.4
Repurchase of common stock	(97.7)	—	—	—	(97.7)
Decrease in drafts	(6.1)	(5.3)	(1.2)	—	(12.6)
Net cash provided by financing activities	51.0	93.5	21.6	—	166.1
Effect of foreign currency translation	—	4.5	41.6	—	46.1
Net Change in Cash and Cash Equivalents	82.0	(5.3)	338.9	—	415.6
Cash and Cash Equivalents at Beginning of Year	41.5	9.1	118.7	—	169.3
Cash and Cash Equivalents at End of Year	$ 123.5	$ 3.8	$ 457.6	$ —	$ 584.9

Lear Corporation and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)

	For the Year Ended December 31, 2003				
	Parent	Guarantors	Non-Guarantors (In millions)	Eliminations	Consolidated
Net Cash Provided by Operating Activities	$ 261.9	$ 343.3	$ (18.9)	$ —	$ 586.3
Cash Flows from Investing Activities:					
Additions to property, plant and equipment	(69.6)	(141.7)	(164.3)	—	(375.6)
Cost of acquisitions, net of cash acquired	(0.6)	—	(13.1)	—	(13.7)
Net proceeds from disposition of businesses and other assets	0.6	3.5	29.6	—	33.7
Other, net	—	6.8	2.0	—	8.8
Net cash used in investing activities	(69.6)	(131.4)	(145.8)	—	(346.8)
Cash Flows from Financing Activities:					
Primary credit facility repayments, net	(132.8)	—	—	—	(132.8)
Other long-term debt repayments, net	(4.3)	4.1	(10.1)	—	(10.3)
Short-term debt repayments, net	(4.2)	(0.2)	(19.6)	—	(24.0)
Change in intercompany accounts	(30.9)	(167.0)	197.9	—	—
Proceeds from exercise of stock options	66.4	—	—	—	66.4
Repurchase of common stock	(1.1)	—	—	—	(1.1)
Decrease in drafts	(45.1)	1.7	(13.4)	—	(56.8)
Net cash used in financing activities	(152.0)	(161.4)	154.8	—	(158.6)
Effect of foreign currency translation	—	(43.7)	40.4	—	(3.3)
Net Change in Cash and Cash Equivalents	40.3	6.8	30.5	—	77.6
Cash and Cash Equivalents at Beginning of Year	1.2	2.3	88.2	—	91.7
Cash and Cash Equivalents at End of Year	$ 41.5	$ 9.1	$ 118.7	$ —	$ 169.3

Basis of Presentation — Certain of the Company's wholly owned subsidiaries (the "Guarantors") have unconditionally fully guaranteed, on a joint and several basis, the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all of the Company's obligations under the Amended and Restated Primary Credit Facility and the indentures governing the Company's senior notes, including the Company's obligations to pay principal, premium, if any, and interest with respect to the senior notes. The senior notes consist of $800 million aggregate principal amount of 8.11% senior notes due 2009, Euro 250 million aggregate principal amount of 8.125% senior notes due 2008, $640 million aggregate principal amount at maturity of zero-coupon convertible senior notes due 2022 and $400 million aggregate principal amount of 5.75% senior notes due 2014. The Guarantors under the indentures are currently Lear Operations Corporation, Lear Seating Holdings Corp. #50, Lear Corporation EEDS and Interiors, Lear Corporation (Germany) Ltd., Lear Automotive (EEDS) Spain S.L. and Lear Corporation Mexico, S.A. de C.V. Lear Corporation (Germany) Ltd. became a Guarantor under the indentures effective December 15, 2005. In addition, effective January 1, 2006, Lear Technologies, L.L.C. (formerly a Guarantor) was merged into the Parent, and Lear Midwest Automotive, Limited Partnership (formerly a Guarantor) was merged into Lear Operations Corporation. In lieu of providing separate audited financial statements for the Guarantors, the Company has included the audited supplemental guarantor condensed consolidating financial

statements above. These financial statements reflect the changes described above for all periods presented. Management does not believe that separate financial statements of the Guarantors are material to investors. Therefore, separate financial statements and other disclosures concerning the Guarantors are not presented.

As of and for the years ended December 31, 2004 and 2003, the supplemental guarantor condensed consolidating financial statements have been restated to reflect certain changes to the equity investments of the guarantor subsidiaries.

Distributions — There are no significant restrictions on the ability of the Guarantors to make distributions to the Company.

Selling, General and Administrative Expenses — During 2005, 2004 and 2003, the Parent allocated $62.3 million, $63.3 million and $151.7 million, respectively, of corporate selling, general and administrative expenses to its operating subsidiaries. The allocations were based on various factors, which estimate usage of particular corporate functions, and in certain instances, other relevant factors, such as the revenues or the number of employees of the Company's subsidiaries.

Long-Term Debt of the Parent and the Guarantors — A summary of long-term debt of the Parent and the Guarantors on a combined basis is shown below (in millions):

December 31,	2005	2004
Amended and restated primary credit facility	$ 400.0	$ —
Senior notes	1,795.0	2,424.0
Other long-term debt	12.3	43.0
	2,207.3	2,467.0
Less — current portion	(4.2)	(628.9)
	$ 2,203.1	$ 1,838.1

The obligations of foreign subsidiary borrowers under the primary credit facility are guaranteed by the Parent.

For a more detailed description of the above indebtedness, see Note 7, "Long-Term Debt."

The aggregate minimum principal payment requirements on long-term debt of the Parent and the Guarantors, including capital lease obligations, in each of the five years subsequent to December 31, 2005, are shown below (in millions):

Year	Maturities
2006	$ 4.2
2007	702.2
2008	297.6
2009	796.3
2010	1.4

LEAR CORPORATION AND SUBSIDIARIES

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

	Balance as of Beginning of Year	Additions	Retirements	Other Changes	Balance as of End of Year
			(In millions)		
FOR THE YEAR ENDED DECEMBER 31, 2005:					
Valuation of accounts deducted from related assets:					
Allowance for doubtful accounts	$ 26.7	$ 12.5	$ (15.8)	$ (0.1)	$ 23.3
Reserve for unmerchantable inventories	86.4	33.8	(23.3)	(3.3)	93.6
Restructuring reserves	20.9	86.8	(80.3)	(1.9)	25.5
Allowance for deferred tax assets	277.7	276.3	(44.5)	(31.2)	478.3
	$ 411.7	$ 409.4	$ (163.9)	$ (36.5)	$ 620.7
FOR THE YEAR ENDED DECEMBER 31, 2004:					
Valuation of accounts deducted from related assets:					
Allowance for doubtful accounts	$ 30.6	$ 11.7	$ (16.0)	$ 0.4	$ 26.7
Reserve for unmerchantable inventories	55.8	45.5	(16.0)	1.1	86.4
Restructuring reserves	8.1	18.8	(6.0)	—	20.9
Allowance for deferred tax assets	220.8	84.4	(27.5)	—	277.7
	$ 315.3	$ 160.4	$ (65.5)	$ 1.5	$ 411.7
FOR THE YEAR ENDED DECEMBER 31, 2003:					
Valuation of accounts deducted from related assets:					
Allowance for doubtful accounts	$ 31.5	$ 16.6	$ (17.2)	$ (0.3)	$ 30.6
Reserve for unmerchantable inventories	44.5	29.7	(21.0)	2.6	55.8
Restructuring reserves	30.3	—	(22.2)	—	8.1
Allowance for deferred tax assets	190.3	76.6	(46.1)	—	220.8
	$ 296.6	$ 122.9	$ (106.5)	$ 2.3	$ 315.3

ITEM 9 — *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE*

Lear Corporation engaged the services of Ernst & Young LLP as its new independent registered public accounting firm to replace Arthur Andersen LLP, effective May 9, 2002. For additional information, see Lear Corporation's Current Report on Form 8-K dated May 9, 2002.

ITEM 9A — *CONTROLS AND PROCEDURES*

(a) Disclosure Controls and Procedures

The Company has evaluated, under the supervision and with the participation of the Company's management, including the Company's Chairman and Chief Executive Officer along with the Company's Executive Vice President and Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Report. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. However, based on that evaluation, the Company's Chairman and Chief Executive Officer along with the Company's Executive Vice President and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this Report.

(b) Management's Annual Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of the Company's management, including the Company's Chairman and Chief Executive Officer along with the Company's Executive Vice President and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the evaluation under the framework in Internal Control — Integrated Framework, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2005. Ernst & Young LLP, the registered public accounting firm that audited the consolidated financial statements included in this Report, has issued an attestation report on management's assessment of the Company's internal control over financial reporting.

(c) Attestation Report of the Registered Public Accounting Firm

The attestation report on management's assessment of the Company's internal control over financial reporting is provided in Item 8, "Consolidated Financial Statements and Supplementary Data."

(d) Changes in Internal Control over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the fiscal quarter ending December 31, 2005, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B — *OTHER INFORMATION*

On February 24, 2006, we filed a Current Report on Form 8-K disclosing, among other things, the promotion of Matthew Simoncini to Vice President of Global Finance. On March 3, 2006 we entered into an employment agreement with Mr. Simoncini. The employment agreement, whose material terms are substantially the same as the employment agreements of our other senior officers, provides Mr. Simoncini with an initial annual base salary of $400,000 and has a rolling two-year term. Under the terms of the employment agreement, Mr. Simoncini is also eligible to participate in the welfare, retirement, perquisite and fringe benefit, and other benefit plans, practices, policies and programs, as may be in effect from time to time, for our senior executives generally. Mr. Simoncini also agrees to comply with certain confidentiality, non-compete and non-solicitation covenants both during employment and after termination. The employment agreement also provides for Mr. Simoncini to receive: (i) in the event of a termination for incapacity, up to two years base salary; (ii) in the event of a termination by Mr. Simoncini for good reason or by us other than for cause or incapacity, two years base salary, bonus, and welfare benefits, provided he executes a release; (iii) in the event of a termination by us for cause or by Mr. Simoncini without good reason, unpaid salary and benefits earned through the termination date; and (iv) in the event of termination by reason of Mr. Simoncini's death, unpaid salary, benefits and a pro rata portion of bonus. In addition, upon a termination by Mr. Simoncini for good reason or by us other than for cause, Mr. Simoncini's time-based equity awards will continue to vest during the severance period, at which time any then-unvested awards will be vested on a pro rata basis, and performance-based awards will be paid on a pro rata basis to the extent that performance goals are actually achieved.

PART III

ITEM 10 — *DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY*

The information required by Item 10 regarding our directors is incorporated by reference to the Proxy Statement sections entitled "Election of Directors" and "Directors and Beneficial Ownership." The information required by Item 10 regarding our executive officers appears as a Supplementary Item following Item 4 under Part I of this Report.

Code of Ethics

We have adopted a code of ethics that applies to our executive officers, including our Principal Executive Officer, our Principal Financial Officer and our Principal Accounting Officer. This code of ethics is entitled "Specific Provisions for Executive Officers" within our Code of Business Conduct and Ethics, which can be found on our website at http://www.lear.com. We will post any amendment to or waiver from the provisions of the Code of Business Conduct and Ethics that applies to the executive officers above on the same website.

ITEM 11 — *EXECUTIVE COMPENSATION*

Incorporated by reference to the Proxy Statement sections entitled "Executive Compensation," "Compensation Committee Interlocks and Insider Participation," "Compensation Committee Report" and "Performance Graph." Notwithstanding anything indicating the contrary set forth in this Report, the "Compensation Committee Report" and the "Performance Graph" sections of the Proxy Statement shall be deemed to be "furnished" not "filed" for purposes of the Securities Exchange Act of 1934, as amended.

ITEM 12 — *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS*

Except as set forth herein, the information required by Item 12 is incorporated by reference to the Proxy Statement section entitled "Directors and Beneficial Ownership — Security Ownership of Certain Beneficial Owners and Management."

Equity Compensation Plan Information

As of December 31, 2005	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders(1)	6,556,245(2)	$ 28.73(3)	351,494
Equity compensation plans not approved by security holders	—	—	—
Total	6,556,245	$ 28.73	351,494

(1) Includes the 1994 Stock Option Plan, the 1996 Stock Option Plan and the Long-Term Stock Incentive Plan.

(2) Includes 2,983,405 of outstanding options, 1,215,046 of outstanding stock-settled stock appreciation rights, 2,234,122 of outstanding restricted stock units and 123,672 of outstanding performance shares. Does not include 334,542 of outstanding cash-settled stock appreciation rights.

(3) Reflects outstanding options at a weighted average exercise price of $40.69, outstanding stock-settled stock appreciation rights at a weighted average exercise price of $27.65, outstanding restricted stock units at a weighted average price of $14.94 and outstanding performance shares at a weighted average price of zero.

ITEM 13 — *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS*

Incorporated by reference to the Proxy Statement section entitled “Certain Transactions.”

ITEM 14 — *PRINCIPAL ACCOUNTANT FEES AND SERVICES*

Incorporated by reference to the Proxy Statement section entitled “Fees of Independent Accountants.”

PART IV

ITEM 15 — *EXHIBITS AND FINANCIAL STATEMENT SCHEDULE*

(a) The following documents are filed as part of this Form 10-K.

1. Consolidated Financial Statements:

Reports of Ernst & Young LLP, Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2005 and 2004

Consolidated Statements of Operations for the years ended December 31, 2005, 2004 and 2003

Consolidated Statements of Stockholders’ Equity for the years ended December 31, 2005, 2004 and 2003

Consolidated Statements of Cash Flows for the years ended December 31, 2005, 2004 and 2003

Notes to Consolidated Financial Statements

2. Financial Statement Schedule:

Schedule II — Valuation and Qualifying Accounts

All other financial statement schedules are omitted because such schedules are not required or the information required has been presented in the aforementioned financial statements.

3. The exhibits listed on the “Index to Exhibits” on pages 110 through 114 are filed with this Form 10-K or incorporated by reference as set forth below.

(b) The exhibits listed on the “Index to Exhibits” on pages 110 through 114 are filed with this Form 10-K or incorporated by reference as set forth below.

(c) Additional Financial Statement Schedules

None.

Signatures

Pursuant to the requirements of Section 13 or 15(d) 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 on March 8, 2006.

Lear Corporation

By: /s/ Robert E. Rossiter
Robert E. Rossiter
Chairman and Chief Executive Officer and
a Director (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Lear Corporation and in the capacities indicated on March 8, 2006.

/s/ Robert E. Rossiter Robert E. Rossiter Chairman of the Board of Directors and Chief Executive Officer and a Director (Principal Executive Officer)	/s/ Larry W. McCurdy Larry W. McCurdy a Director
/s/ James H. Vandenberghe James H. Vandenberghe Vice Chairman	/s/ Roy E. Parrott Roy E. Parrott a Director
/s/ David C. Wajsgras David C. Wajsgras Executive Vice President and Chief Financial Officer (Principal Financial Officer)	/s/ David P. Spalding David P. Spalding a Director
/s/ Matthew J. Simoncini Matthew J. Simoncini Vice President of Global Finance (Principal Accounting Officer)	/s/ James A. Stern James A. Stern a Director
/s/ Anne K. Bingaman Anne K. Bingaman a Director	/s/ Henry D.G. Wallace Henry D.G. Wallace a Director
/s/ Dr. David E. Fry Dr. David E. Fry a Director	/s/ Richard F. Wallman Richard F. Wallman a Director
/s/ Justice Conrad L. Mallett Justice Conrad L. Mallett a Director	

Index to Exhibits

Exhibit Number	Exhibit
3.1	Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 1996).
3.2	Amended and Restated By-laws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K dated August 8, 2002).
3.3	Certificate of Incorporation of Lear Operations Corporation (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form S-4 filed on June 22, 1999).
3.4	By-laws of Lear Operations Corporation (incorporated by reference to Exhibit 3.4 to the Company's Registration Statement on Form S-4 filed on June 22, 1999).
3.5	Certificate of Incorporation of Lear Corporation EEDS and Interiors (incorporated by reference to Exhibit 3.7 to the Company's Registration Statement on Form S-4/A filed on June 6, 2001).
3.6	By-laws of Lear Corporation EEDS and Interiors (incorporated by reference to Exhibit 3.8 to the Company's Registration Statement on Form S-4/A filed on June 6, 2001).
3.7	Certificate of Incorporation of Lear Seating Holdings Corp. #50 (incorporated by reference to Exhibit 3.9 to the Company's Registration Statement on Form S-4/A filed on June 6, 2001).
3.8	By-laws of Lear Seating Holdings Corp. #50 (incorporated by reference to Exhibit 3.10 to the Company's Registration Statement on Form S-4/A filed on June 6, 2001).
3.9	Deed of Transformation of Lear Automotive (EEDS) Spain S.L. (Unofficial English Translation) (incorporated by reference to Exhibit 3.17 to the Company's Registration Statement on Form S-3 filed on May 8, 2002).
3.10	By-laws of Lear Automotive (EEDS) Spain S.L. (Unofficial English Translation) (incorporated by reference to Exhibit 3.18 to the Company's Registration Statement on Form S-3 filed on May 8, 2002).
3.11	Articles of Incorporation of Lear Corporation Mexico, S.A. de C.V. (Unofficial English Translation) (incorporated by reference to Exhibit 3.19 to the Company's Registration Statement on Form S-3 filed on March 28, 2002).
3.12	By-laws of Lear Corporation Mexico, S.A. de C.V. (Unofficial English Translation) (incorporated by reference to Exhibit 3.20 to the Company's Registration Statement on Form S-3 filed on March 28, 2002).
**3.13	Certificate of Incorporation of Lear Corporation (Germany) Ltd.
**3.14	Certificate of Amendment of Certificate of Incorporation of Lear Corporation (Germany) Ltd.
**3.15	Amended and Restated By-laws of Lear Corporation (Germany) Ltd.
4.1	Indenture dated as of May 15, 1999, by and among Lear Corporation as Issuer, the Guarantors party thereto from time to time and The Bank of New York as Trustee (incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 3, 1999).
4.2	Supplemental Indenture No. 1 to Indenture dated as of May 15, 1999, by and among Lear Corporation as Issuer, the Guarantors party thereto from time to time and The Bank of New York as Trustee (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 1, 2000).
4.3	Supplemental Indenture No. 2 to Indenture dated as of May 15, 1999, by and among Lear Corporation as Issuer, the Guarantors party thereto from time to time and The Bank of New York as Trustee (incorporated by reference to Exhibit 4.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001).
4.4	Supplemental Indenture No. 3 to Indenture dated as of May 15, 1999, by and among Lear Corporation as Issuer, the Guarantors party thereto from time to time and The Bank of New York as Trustee (incorporated by reference to Exhibit 4.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001).

Exhibit Number	Exhibit
4.5	Supplemental Indenture No. 4 to Indenture dated as of May 15, 1999, by and among Lear Corporation as Issuer, the Guarantors party thereto from time to time and The Bank of New York Trust Company, N.A. (as successor to The Bank of New York), as Trustee (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 15, 2005).
4.6	Indenture dated as of March 20, 2001, by and among Lear Corporation as Issuer, the Guarantors party thereto from time to time and The Bank of New York as Trustee, relating to the $8^{1/8}$% Senior Notes due 2008, including the form of exchange note attached thereto (incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-4 filed on April 23, 2001).
4.7	Supplemental Indenture No. 1 to Indenture dated as of March 20, 2001, by and among Lear Corporation as Issuer, the Guarantors party thereto from time to time and The Bank of New York as Trustee (incorporated by reference to Exhibit 4.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001).
4.8	Supplemental Indenture No. 2 to Indenture dated as of March 20, 2001, by and among Lear Corporation as Issuer, the Guarantors party thereto from time to time and The Bank of New York as Trustee (incorporated by reference to Exhibit 4.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001).
4.9	Supplemental Indenture No. 3 to Indenture dated as of March 20, 2001, by and among Lear Corporation as Issuer, the Guarantors party thereto from time to time and The Bank of New York as Trustee (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated December 15, 2005).
4.10	Indenture dated as of February 20, 2002, by and among Lear Corporation as Issuer, the Guarantors party thereto from time to time and The Bank of New York as Trustee (incorporated by reference to Exhibit 4.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001).
4.11	Supplemental Indenture No. 1 to Indenture dated as of February 20, 2002, by and among Lear Corporation as Issuer, the Guarantors party thereto from time to time and The Bank of New York as Trustee (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated August 26, 2004).
4.12	Supplemental Indenture No. 2 to Indenture dated as of February 20, 2002, by and among Lear Corporation as Issuer, the Guarantors party thereto from time to time and The Bank of New York Trust Company, N.A. (as successor to The Bank of New York), as Trustee (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated December 15, 2005).
4.13	Indenture dated as of August 3, 2004, by and among Lear Corporation as Issuer, the Guarantors party thereto from time to time and BNY Midwest Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 3, 2004).
4.14	Supplemental Indenture No. 1 to Indenture dated as of August 3, 2004, by and among Lear Corporation as Issuer, the Guarantors party thereto from time to time and The Bank of New York Trust Company, N.A. (as successor to BNY Midwest Trust Company, N.A.), as Trustee (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K dated December 15, 2005).
10.1	Credit and Guarantee Agreement, dated as of March 23, 2005, among the Company, Lear Canada, each Foreign Subsidiary Borrower (as defined therein), the Lenders party thereto, Bank of America, N.A., as syndication agent, Citibank, N.A. and Deutsche Bank Securities Inc., as documentation agents, The Bank of Nova Scotia, as documentation agent and Canadian administrative agent, the other Agents named therein and JPMorgan Chase Bank, N.A., as general administrative agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 23, 2005).
10.2	Amended and Restated Credit and Guarantee Agreement, dated as of August 11, 2005, among the Company, Lear Canada, each Foreign Subsidiary Borrower (as defined therein), the Lenders party thereto, Bank of America, N.A., as syndication agent, Citibank, N.A. and Deutsche Bank Securities Inc., as documentation agents, The Bank of Nova Scotia, as documentation agent and Canadian administrative agent, the other Agents named therein and JPMorgan Chase Bank, N.A., as general administrative agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated August 11, 2005).

Exhibit Number	Exhibit
10.3	Stock Purchase Agreement, dated as of March 16, 1999, by and between Nevada Bond Investment Corp. II and Lear Corporation (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated March 16, 1999).
10.4	Stock Purchase Agreement, dated as of May 7, 1999, between Lear Corporation and Johnson Electric Holdings Limited (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated May 7, 1999).
10.5	Purchase and Transfer Agreement, dated as of April 5, 2004, among Lear Corporation Holding GmbH, Lear Corporation GmbH & Co. KG and the Sellers named therein (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on From 10-Q for the quarter ended April 3, 2004).
10.6	Purchase Agreement, dated as of July 29, 2004, by and among Lear Corporation as Issuer, the Guarantors party thereto and the Purchasers (as defined therein) (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 2, 2004).
10.7	Registration Rights Agreement, dated as of August 3, 2004, by and among Lear Corporation as Issuer, the Guarantors party thereto and the Initial Purchasers (as defined therein) (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 2, 2004).
10.8*	Employment Agreement, dated March 15, 2005, between the Company and Robert E. Rossiter (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 15, 2005).
10.9*	Employment Agreement, dated March 15, 2005, between the Company and James H. Vandenberghe (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated March 15, 2005).
10.10*	Employment Agreement, dated March 15, 2005, between the Company and Douglas G. DelGrosso (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated March 15, 2005).
10.11*	Employment Agreement, dated March 15, 2005, between the Company and David C. Wajsgras (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated March 15, 2005).
10.12*	Employment Agreement, dated March 15, 2005, between the Company and Daniel A. Ninivaggi (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K dated March 15, 2005).
10.13*	Employment Agreement, dated March 15, 2005, between the Company and Roger A. Jackson (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K dated March 15, 2005).
10.14*	Employment Agreement, dated as of March 15, 2005, between the Company and Paul Joseph Zimmer (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 1, 2005).
10.15*	Employment Agreement, dated as of March 15, 2005, between the Company and Raymond E. Scott (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 1, 2005).
10.16*	Lear Corporation 1994 Stock Option Plan (incorporated by reference to Exhibit 10.27 to the Company's Transition Report on Form 10-K filed on March 31, 1994).
10.17*	Lear Corporation 1994 Stock Option Plan, Second Amendment effective January 1, 1996 (incorporated by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).
10.18*	Lear Corporation 1994 Stock Option Plan, Third Amendment effective March 14, 1997 (incorporated by reference to Exhibit 10.29 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).
10.19*	Lear Corporation 1996 Stock Option Plan, as amended and restated (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 28, 1997).

Exhibit Number	Exhibit
10.20*	Form of the Lear Corporation 1996 Stock Option Plan Stock Option Agreement (incorporated by reference to Exhibit 10.30 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997).
10.21*	Lear Corporation Long-Term Stock Incentive Plan, as amended and restated (conformed copy through First Amendment, incorporated by reference to Appendix B to the Company's definitive proxy statement on Schedule 14A filed on March 27, 2003, for the 2003 annual meeting of stockholders).
**10.22*	Second Amendment to the Lear Corporation Long-Term Stock Incentive Plan, dated as of November 10, 2005.
10.23*	Form of the Long-Term Stock Incentive Plan 2002 Nontransferable Nonqualified Stock Option Terms and Conditions (incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003).
10.24*	Form of the Long-Term Stock Incentive Plan 2003 Director Nonqualified, Nontransferable Stock Option Terms and Conditions (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003).
10.25*	Performance Share Award Agreement dated June 22, 2004, between the Company and Robert E. Rossiter (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 3, 2004).
10.26*	Performance Share Award Agreement dated June 22, 2004, between the Company and James H. Vandenberghe (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 3, 2004).
10.27*	Performance Share Award Agreement dated June 22, 2004, between the Company and Douglas G. DelGrosso (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 3, 2004).
10.28*	Performance Share Award Agreement dated June 22, 2004, between the Company and David C. Wajsgras (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 3, 2004).
10.29*	Performance Share Award Agreement dated June 22, 2004, between the Company and Roger A. Jackson (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 3, 2004).
10.30*	Performance Share Award Agreement dated June 22, 2004, between the Company and Daniel A. Ninivaggi (incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 3, 2004).
10.31*	Form of Performance Share Award Agreement for the three-year period ending December 31, 2007 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated February 10, 2005).
10.32*	Form of the Long-Term Stock Incentive Plan 2003 Restricted Stock Unit Terms and Conditions for Management (incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003).
10.33*	Form of the Long-Term Stock Incentive Plan 2003 Deferral and Restricted Stock Unit Agreement — MSPP (U.S.) (incorporated by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003).
10.34*	Form of the Long-Term Stock Incentive Plan 2003 Deferral and Restricted Stock Unit Agreement — MSPP (Non-U.S.) (incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003).
10.35*	Form of the Long-Term Stock Incentive Plan 2004 Restricted Stock Unit Terms and Conditions for Management (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated November 11, 2004).
10.36*	2005 Management Stock Purchase Plan (U.S.) Terms and Conditions (incorporated by reference to Exhibit 10.32 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004).
10.37*	2005 Management Stock Purchase Plan (Non-U.S.) Terms and Conditions (incorporated by reference to Exhibit 10.33 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004).

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Exhibit Number	Exhibit
10.38*	Long-Term Stock Incentive Plan 2005 Restricted Stock Unit Terms and Conditions (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 1, 2005).
10.39*	Long-Term Stock Incentive Plan Supplemental Restricted Stock Unit Terms and Conditions (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 1, 2005).
10.40*	Long-Term Stock Incentive Plan Stock Appreciation Rights Terms and Conditions (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 1, 2005).
**10.41*	2006 Management Stock Purchase Plan (U.S.) Terms and Conditions.
**10.42*	2006 Management Stock Purchase Plan (Non-U.S.) Terms and Conditions.
10.43*	Lear Corporation Outside Directors Compensation Plan, effective January 1, 2005 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 7, 2004).
10.44*	Lear Corporation Estate Preservation Plan (incorporated by reference to Exhibit 10.35 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004).
10.45*	Lear Corporation Pension Equalization Program, as amended through August 15, 2003 (incorporated by reference to Exhibit 10.37 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004).
10.46*	Lear Corporation Annual Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated February 10, 2005).
10.47*	Lear Corporation Executive Supplemental Savings Plan, as amended and restated (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated May 4, 2005).
**10.48*	First Amendment to the Lear Corporation Executive Supplemental Savings Plan, dated as of November 10, 2005.
10.49	Form of Indemnity Agreement between the Company and each of its directors (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 2, 2005).
**11.1	Computation of net income per share.
**12.1	Computation of ratios of earnings to fixed charges.
**21.1	List of subsidiaries of the Company.
**23.1	Consent of Ernst & Young LLP.
**31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer.
**31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer.
**32.1	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**32.2	Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Compensatory plan or arrangement.

** Filed herewith.

EXHIBIT 3.13

CERTIFICATE OF INCORPORATION
OF
LS ACQUISITION CORP. NO. 14

Pursuant to Section 102 of the General Corporation Law of the State of Delaware

The undersigned, in order to form a corporation pursuant to Section 102 of the General Corporation Law of the State of Delaware, does hereby certify:

FIRST: The name of the Corporation is LS Acquisition Corp. No. 14.

SECOND: The address of the Corporation's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street in the City of Wilmington, County of New Castle, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares which the Corporation shall have the authority to issue is 1,000 shares of Common Stock, par value one cent ($.01) per share.

FIFTH: The name and mailing address of the Incorporator is as follows:

Name	Mailing Address
Jay Forman	Room 2772 One New York Plaza New York, New York 10004

SIXTH: The Board of Directors is expressly authorized to adopt, amend or repeal the by-laws of the Corporation.

SEVENTH: Elections of directors need not be by written ballot unless the by-laws of the Corporation shall otherwise provide.

EIGHTH: A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director; provided, however, that the foregoing shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law of the State of Delaware, or (iv) for any transaction from which the director derived an improper personal benefit.

NINTH: Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the Delaware Code, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which said application has been made, be binding on all the creditors or class of creditors, and/or on all of the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

TENTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

IN WITNESS WHEREOF, I have hereunto set my hand this 9th day of January, 1987 and I affirm that the foregoing certificate is my act and deed and that the facts stated therein are true.

/s/ Jay Forman

Jay Forman, Incorporator

EXHIBIT 3.14

CERTIFICATE OF AMENDMENT

OF CERTIFICATE OF

INCORPORATION

LS ACQUISITION CORP. NO. 14, A DELAWARE CORPORATION (THE "CORPORATION"),

DOES HEREBY CERTIFY THAT:

FIRST: BY UNANIMOUS WRITTEN CONSENT, THE CORPORATION'S BOARD OF DIRECTORS DULY ADOPTED RESOLUTIONS APPROVING A PROPOSED AMENDMENT (THE "AMENDMENT") TO THE CORPORATION'S CERTIFICATE OF INCORPORATION. THE RESOLUTIONS APPROVING THE AMENDMENT ARE AS FOLLOWS:

> RESOLVED, THAT THE CORPORATION'S CERTIFICATE OF INCORPORATION BE AMENDED BY CHANGING ITS FIRST ARTICLE THEREOF SO THAT, AS AMENDED, ITS FIRST ARTICLE SHALL BE AND READ AS FOLLOWS:
>
> "FIRST: THE NAME OF THE CORPORATION IS LEAR CORPORATION (GERMANY) LTD."; AND BE IT FURTHER
>
> RESOLVED, THAT THE OFFICERS OF THE CORPORATION ARE, AND EACH OF THEM HEREBY IS, AUTHORIZED AND DIRECTED TO TAKE OR CAUSE TO BE TAKEN ALL SUCH FURTHER ACTIONS AND TO EXECUTE AND DELIVER OR CAUSE TO BE EXECUTED AND DELIVERED SUCH OTHER INSTRUMENTS AND DOCUMENTS, IN THE NAME AND ON BEHALF OF THE CORPORATION, AND TO PAY ALL FEES AND EXPENSES AS THEY SHALL DEEM NECESSARY, PROPER OR ADVISABLE IN ORDER TO CARRY OUT FULLY THE PURPOSE AND INTENT OF THE FOREGOING RESOLUTION.

SECOND: BY WRITTEN CONSENT, THE CORPORATION'S SOLE STOCKHOLDER APPROVED THE AMENDMENT

THIRD: THE AMENDMENT WAS DULY ADOPTED IN ACCORDANCE WITH THE PROVISIONS OF SECTION 242 OF THE GENERAL CORPORATION LAW OF THE STATE OF DELAWARE.

IN WITNESS WHEREOF, THE UNDERSIGNED HAS CAUSED THIS CERTIFICATE TO BE SIGNED AS OF THE 11TH DAY OF JUNE 1996.

LS ACQUISITION CORP. NO. 14

BY: /S/ JAMES H. VANDENBERGHE

NAME: JAMES H. VANDENBERGHE
TITLE: PRESIDENT AND SECRETARY

ATTEST:

BY: /S/ JOSEPH F. MCCARTHY

NAME: JOSEPH F. MCCARTHY
TITLE: VICE PRESIDENT

EXHIBIT 3.15

AMENDED AND RESTATED BY-LAWS
OF
LEAR CORPORATION (GERMANY) LTD.

(hereinafter called the "Corporation")

ARTICLE I

OFFICES

Section 1. Registered Office. The registered office of the Corporation shall be 21557 Telegraph Road, Southfield, Michigan 48034.

Section 2. Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. Place of Meetings. Meetings of the stockholders for the election of directors or for any other purpose shall be held at such time and place, either within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual Meetings. The Annual Meetings of Stockholders shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which meetings the stockholders shall elect by a plurality vote a Board of Directors, and transact such other business as may properly be brought before the meeting. Written notice of the Annual Meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting.

Section 3. Special Meetings. Unless otherwise prescribed by law or by the Certificate of Incorporation, Special Meetings of Stockholders, for any purpose or purposes, may be called by either (i) the Chairman, if there be one, or (ii) the President, (iii) any Vice President, if there be one, (iv) the Secretary or (v) any Assistant Secretary, if there be one, and shall be called by any such officer at the request in writing of a majority of the Board of Directors or at the request in writing of stockholders owning at least a majority of the capital stock of the Corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting. Written notice of a Special Meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting.

Section 4. Waiver of Notice. Notice of the time, place and purpose or purposes of any meeting of stockholders may be waived by a written waiver thereof, signed by the person entitled to notice. Such waiver, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

Section 5. Quorum. Except as otherwise provided by law or by the Certificate of Incorporation, the holders of a majority of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting.

Section 6. Voting. Unless otherwise required by law, the Certificate of Incorporation or these By-Laws, any question brought before any meeting of stock-holders shall be decided by the vote of the holders of a majority of the stock represented and entitled to vote thereat. Each stockholder represented at a meeting of stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder. Such votes may be cast in person or by proxy but no proxy shall be voted on or after three years from its date, unless such proxy provides for a longer period. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of stockholders, in his discretion, may require that any votes cast at such meeting shall be cast by written ballot.

Section 7. Consent of Stockholders in Lieu of Meeting. Unless otherwise provided in the Certificate of Incorporation, any action required or permitted to be taken at any Annual or Special Meeting of Stockholders of the Corporation, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

Section 8. List of Stockholders Entitled to Vote. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present.

Section 9. Stock Ledger. The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 7 of this Article II or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

ARTICLE III

DIRECTORS

Section 1. Number and Election of Directors. The Board of Directors shall consist of not less than one nor more than seven members, the exact number of which shall initially be fixed by the Incorporator and thereafter from time to time by the Board of Directors. Except as provided in Section 2 of this Article, directors shall be elected by a plurality of the votes cast at Annual Meetings of Stockholders, and each director so elected shall hold office until the next Annual Meeting and until his successor is duly elected and qualified, or until his earlier resignation or removal. Any director may resign at any time upon notice to the Corporation. Directors need not be stockholders.

Section 2. Vacancies. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and qualified, or until their earlier resignation or removal.

Section 3. Duties and Powers. The business of the Corporation shall be managed by or under the direction of the Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-Laws directed or required to be exercised or done by the stockholders.

Section 4. Meetings. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware. Regular meetings of the Board of Directors may be held without notice at such time and at such place as may from time to time be determined by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman, if there be one, the President, or any two directors. Notice thereof stating the place, date and hour of the meeting shall be given to each director either by mail not less than forty-eight (48) hours before the date of the meeting, by telephone or telegram on twenty-four (24) hours' notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances.

Section 5. Quorum. Except as may be otherwise specifically provided by law, the Certificate of Incorporation or these By-Laws, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 6. Actions of Board. Unless otherwise provided by the Certificate of Incorporation or these By-Laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all the members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

Section 7. Meetings by Means of Conference Telephone. Unless otherwise provided by the Certificate of Incorporation or these By-Laws, members of the Board of Directors of the Corporation, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 7 shall constitute presence in person at such meeting.

Section 8. Committees. The Board of Directors may, by resolution passed by a majority of the entire Board of Directors, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. In the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any committee, to the extent allowed by law and provided in the resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation. Each committee shall keep regular minutes and report to the Board of Directors when required.

Section 9. Compensation. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

Section 10. Interested Directors. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose if (i) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof or the stockholders.

Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

ARTICLE IV

OFFICERS

Section 1. General. The officers of the Corporation shall be chosen by the Board of Directors and shall be a President, a Secretary and a Treasurer. The Board of Directors, in its discretion, may also choose a Chairman of the Board of Directors (who must be a director) and one or more Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers. Any number of offices may be held by the same person, unless other-wise prohibited by law, the Certificate of Incorporation or these By-Laws. The officers of the Corporation need not be stockholders of the Corporation nor, except in the case of the Chairman of the Board of Directors, need such officers be directors of the Corporation.

Section 2. Election. The Board of Directors at its first meeting held after each Annual Meeting of Stockholders shall elect the officers of the Corporation who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors; and all officers of the Corporation shall hold office until their successors are chosen and qualified, or until their earlier resignation or removal. Any officer elected by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors. The salaries of all officers of the Corporation shall be fixed by the Board of Directors.

Section 3. Voting Securities Owned by the Corporation. Notwithstanding anything to the contrary contained herein, powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the President or any Vice President and any such officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and power incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

Section 4. Chairman of the Board of Directors. The Chairman of the Board of Directors, if there be one, shall preside at all meetings of the stockholders and of the Board of Directors. In the absence or disability of the Chief Executive Officer, or if there be none, he shall be the Chief Executive Officer of the Corporation, and except where by law the signature of the President is required, the Chairman of the Board of Directors shall possess the same power as the President to sign all con-tracts, certificates and other instruments of the Corporation which may be authorized by the Board of Directors. During the absence or disability of the President, the Chairman of the Board of Directors shall exercise all the powers and discharge all the duties of the President. The Chairman of the Board of Directors shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these By-Laws or by the Board of Directors.

Section 5. Chief Executive Officer. The Chief Executive Officer, if there be, one, except where by law the signature of the President is required, shall possess the same power as the President to sign all contracts, certificates and other instruments of the Corporation which may be authorized by the Board of Directors. During the absence or disability of the President and the Chairman of the Board of Directors, the Chief Executive Officer shall exercise all the powers and discharge all the duties of the President. The Chief Executive Officer shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these By-Laws or by the Board of Directors.

Section 6. President. The President shall, subject to the control of the Board of Directors and, if there be one, the Chairman of the Board of Directors and, if there be one, the Chief Executive Officer, have general supervision of the business of the Corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect. He shall execute all bonds, mortgages, contracts and other instruments of the Corporation requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except that the other officers of the Corporation may sign and execute documents when so authorized by these By-Laws, the Board of Directors or the President. In the absence or disability of the Chairman of the Board of Directors, or if there be none, the President shall preside at all meetings of the stockholders and the Board of Directors. If there be no Chairman of the Board of Directors or the Chief Executive Officer, the President shall be the Chief Executive Officer of the Corporation. The President shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these By-Laws or by the Board of Directors.

Section 7. Vice Presidents. At the request of the President or in his absence or in the event of his inability or refusal to act (and if there be no Chairman of the Board of Directors or the Chief Executive Officer), the Vice President or the Vice Presidents if there is more than one (in the order designated by the Board of Directors) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Each Vice President shall perform such other duties and have such other powers as the Board of Directors from time to time may prescribe. If there be no Chairman of the Board of Directors, no Chief Executive Officer and no Vice President, the Board of Directors shall designate the officer of the Corporation who, in the absence of the President or in the event of the inability or refusal of the President to act, shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President.

Section 8. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of stockholders and record all the proceedings thereat in a book or books to be kept for that purpose; the Secretary shall also perform like duties for the standing committees when required. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be pre-scribed by the Board of Directors or President, under whose supervision he shall be. If the Secretary shall be unable or shall refuse to cause to be given notice of all meetings of the stockholders and special meetings of the Board of Directors, and if there be no Assistant Secretary, then either the Board of Directors or the President may choose another officer to cause such notice to be given. The Secretary shall have custody of the seal of the Corporation and the Secretary or any Assistant Secretary, if there be one, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by the signature of the Secretary or by the signature of any such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature. The Secretary shall see that all books, reports, statements, certificates and other documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

Section 9. Treasurer, The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 10. Assistant Secretaries. Except as may be otherwise provided in these By-Laws, Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the President, any Vice President, if there be one, or the Secretary, and in the absence of the Secretary or in the event of his disability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

Section 11. Assistant Treasurers. Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the President, any Vice President, if there be one, or the Treasurer, and in the absence of the Treasurer or in the event of his disability or refusal to act, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. If required by the Board of Directors, an Assistant Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 12. Other Officers. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

ARTICLE V

STOCK

Section 1. Form of Certificates. Every holder of stock in the Corporation shall be entitled to have a certificate signed, in the name of the Corporation (i) by the Chairman of the Board of Directors, the Chief Executive Officer, the President or a Vice President and (ii) by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by him in the Corporation.

Section 2. Signatures. Where a certificate is countersigned by (i) a transfer agent other than the Corporation or its employee, or (ii) a registrar other than the Corporation or its employee, any other signature on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

Section 3. Lost Certificates. The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his legal representative, to advertise the same in such manner as the Board of Directors shall re-quire and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 4. Transfers. Stock of the Corporation shall be transferable in the manner prescribed by law and in these By-Laws. Transfers of stock shall be made on the books of the Corporation only by the person named in the certificate or by his attorney lawfully constituted in writing and upon the surrender of the certificate therefor, which shall be cancelled before a new certificate shall be issued.

Section 5. Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty days nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 6. Beneficial Owners. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

ARTICLE VI

NOTICES

Section 1. Notices. Whenever written notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, such notice may be given by mail, addressed to such director, member of a committee or stockholder, at his address as it appears on the re-cords of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Written notice may also be given personally or by telegram, telex or cable.

Section 2. Waivers of Notice. Whenever any notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, a waiver thereof in writing, signed, by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE VII

GENERAL PROVISIONS

Section 1. Dividends. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, and may be paid in cash, in property, or in shares of the capital stock. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for re-pairing or maintaining any property of the Corporation, or for any proper purpose, and the Board of Directors may modify or abolish any such reserve.

Section 2. Disbursements. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 3. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 4. Corporate Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE VIII

INDEMNIFICATION

Section 1. Power to Indemnify in Actions, Suits or Proceedings other Than Those by or in the Right of the Corporation. Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investi-gative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably be-lieved to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 2. Power to Indemnify in Actions, Suits or Proceedings by or in the Right of the Corporation. Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 3. Authorization of Indemnification. Any indemnification under this Article VIII (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Sec-tion 1 or Section 2 of this Article VIII, as the case may be. Such determination shall be made (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (ii) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a writ-ten opinion, or (iii) by the stockholders. To the ex-tent, however, that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or pro-ceeding described above, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reason-ably incurred by him in connection therewith, without the necessity of authorization in the specific case.

Section 4. Good Faith Defined. For purposes of any determination under Section 3 of this Article VIII, a person shall be deemed to have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe his conduct was unlawful, if his action is based on the records or books of account of the Corporation or another enterprise, or on information supplied to him by the officers of the Corporation or another enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or another enterprise or on information or records given or reports made to the Corporation or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or another enterprise. The term "another enterprise" as used in this Section 4 shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise of which such person is or was serving at the request of the Cor-poration as a director, officer, employee or agent. The provisions of this Section 4 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Sections 1 or 2 of this Article VIII, as the case may be.

Section 5. Indemnification by a Court. Not-withstanding any contrary determination in the specific case under Section 3 of this Article VIII, and notwithstanding the absence of any determination thereunder, any director, officer, employee or agent may apply to any court of competent jurisdiction in the State of Delaware for indemnification to the extent otherwise permissible under Sections 1 and 2 of this Article VIII- The basis of such indemnification by a court shall be a determination by such court that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standards of conduct set forth in Sections 1 or 2 of this Article VIII, as the case may be. Neither a contrary determination in the specific case under Section 3 of this Article VIII nor the absence of any determination thereunder shall be a defense to such application or create a presumption that the director, officer, employee or agent seeking indemnification has not met any applicable standard of conduct. Notice of any application for indemnification pursuant to this Section 5 shall be given to the Corporation promptly upon the filing of such application. If successful, in whole or in part, the director, officer, employee or agent seeking indemnification shall also be entitled to be paid the expense of prosecuting such application.

Section 6. Expenses Payable in Advance. Expenses incurred by a director or officer in defending or investigating a threatened or pending action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director, officer, employee or agent to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in this Article VIII.

Section 7. Non-exclusivity of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by or granted pursuant to this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any By-Law, agreement, contract, vote of stockholders or disinterested directors or pursuant to the direction (howsoever embodied) of any court of competent jurisdiction or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that indemnification of the persons specified in Sections 1 and 2 of this Article VIII shall be made to the fullest extent permitted by law. The provisions of this Article VIII shall not be deemed to preclude the indemnification of any person who is not specified in Sections 1 or 2 of this Article VIII but whom the Corporation has the power or obligation to indemnify under the provisions of the General Corporation Law of the State of Delaware, or other-wise.

Section 8. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director or officer of the Corporation, or is or was a director, officer, employee or agent of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power or the obligation to indemnify him against such liability under the provisions of this Article VIII.

Section 9. Certain Definitions. For purposes of this Article VIII, references to "the Corporation(11) shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents, so that any person who is or was a director or officer of such constituent corporation, or is or was a director, officer, employee or agent of such constituent corporation serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued. For purposes of this Article VIII, references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VIII.

Section 10. Survival of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VIII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 11. Limitation on Indemnification. Notwithstanding anything contained in this Article VIII to the contrary, except for proceedings to enforce rights to indemnification (which shall be governed by Section 5 hereof), the Corporation shall not be obligated to indemnify any director, officer, employee or agent in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors of the Corporation.

Section 12. Indemnification of Employees and Agents. The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article VIII to directors and officers of the Corporation.

ARTICLE IX

AMENDMENTS

Section 1. These By-Laws may be altered, amended or repealed, in whole or in part, or new By-Laws may be adopted by the stockholders or by the Board of Directors, provided, however, that notice of such alteration, amendment, repeal or adoption of new By-Laws be contained in the notice of such meeting of stockholders or Board of Directors as the case may be. All such amendments must be approved by either the holders of a majority of the outstanding capital stock entitled to vote thereon or by a majority of the entire Board of Directors then in office.

Section 2. Entire Board of Directors. As used in this Article IX and in these By-Laws generally, the term "entire Board of Directors" means the total number of directors which the Corporation would have if there were no vacancies.

Effective as of March 1, 2006.

EXHIBIT 10.22

SECOND AMENDMENT
TO THE
LEAR CORPORATION LONG-TERM STOCK INCENTIVE PLAN
(AS AMENDED AND RESTATED EFFECTIVE MAY 3, 2001)

The Lear Corporation Long-Term Stock Incentive Plan (As Amended and Restated Effective May 3, 2001) is amended, effective November 10, 2005, in the following particulars:

1. By substituting the following for the last sentence of Section 7.6:

"The payment upon SAR exercise may be made in cash, in Shares of equivalent Fair Market Value or in some combination of the two."

* * * * *

EXHIBIT 10.41

LEAR CORPORATION
LONG-TERM STOCK INCENTIVE PLAN

2006 MANAGEMENT STOCK PURCHASE PLAN (US)
TERMS AND CONDITIONS

1. Deferral Election.

Any Eligible Employee selected by the Committee may irrevocably elect to defer (a) any whole percentage up to 90% of the Base Salary payable to him or her for the pay periods ending after December 31, 2005 and before January 1, 2007, and/or (b) any whole percentage up to 100% of the bonus payable to him or her under the Company's Senior Executive Incentive Compensation Plan or Management Incentive Compensation Plan in the first quarter of 2006 by properly filing with the Committee a written notice to that effect ("Deferral Election") on the form furnished by the Committee and in accordance with such other requirements as may be established by the Committee. An Eligible Employee who makes a Deferral Election shall be a Participant.

"Base Salary" means a Participant's annual base salary rate on January 1, 2006 from the Company or an Affiliate, including any elective contributions of the Participant that are not includable in his gross income under Code Sections 125 or 401(k), and before taking into account his or her Deferral Election.

2. Restricted Stock Units.

(a) In consideration for the Participant's Deferral Election, the Participant shall be credited as of March 15, 2006 with Restricted Stock Units at a discounted price ("Discount Rate") as provided in the following table:

Total dollar amount of Participant's Deferral Election, expressed as a percentage of the Participant's Base Salary:	Applicable Discount Rate:
15% or less	20%
Over 15% and up to 100%	30%
Over 100%	20%

(b) The total number of Restricted Stock Units credited to a Participant under the Plan will be determined according to the following calculation:

(i) the dollar amount of the Participant's Deferral Election that does not exceed 15% of the Participant's base salary, divided by the product of (A) the average Fair Market Value over the last five business days in 2005 (December 23, 27, 28, 29 and 30) (the "Average FMV") multiplied by (B) 80%; plus

(ii) the dollar amount of the Participant's Deferral Election over 15% and up to 100% of the Participant's base salary, divided by the product of (A) the Average FMV multiplied by (B) 70%; plus

(iii) the dollar amount of the Participant's Deferral Election over 100% of the Participant's base salary, divided by the product of (A) the Average FMV multiplied by (B) 80%.

(c) The total number of Restricted Stock Units determined in Section 2(b) will be credited to the Participant in the form of Salary Restricted Stock Units and/or Bonus Restricted Stock Units. The number of Salary Restricted Stock Units credited shall be the same proportion of the total Restricted Stock Units as the amount of base salary deferred in the Participant's Deferral Election is of the total amount deferred in the Participant's Deferral Election. The number of Bonus Restricted Stock Units credited shall be the same proportion of the total Restricted Stock Units as the amount of bonus deferred in the Participant's Deferral Election is of the total amount deferred in the Participant's Deferral Election.

3. Restriction Period.

The Restriction Period under this 2006 Management Stock Purchase Plan (US) (the "Agreement") shall be the three-year period commencing on March 15, 2006 and ending on March 14, 2009.

4. Dividend Equivalents.

If the Company declares a cash dividend on Shares, the Participant shall be credited with dividend equivalents as of the payment date for the dividend equal to the amount of the cash dividend per Share multiplied by the Restricted Stock Units credited to the Participant under Section 2(b) as of the record date. Dividend equivalents shall be credited to a notional account established for the Participant ("Dividend Equivalent Account"). Interest shall be credited to the Participant's Dividend Equivalent Account, compounded monthly, until payment of such account to the Participant. The rate of such interest shall be the prime rate of interest as reported by the Midwest edition of The Wall Street Journal for the second business day of each quarter on an annual basis.

5. Timing and Form of Payout.

Except as provided in Sections 6, 7 or 8, after the end of the Restriction Period, the Participant shall be entitled to receive a number of Shares equal to the number of Restricted Stock Units credited to the Participant under Section 2(b) and a cash payment equal to the amount credited to the Participant's Dividend Equivalent Account under Section 4. Delivery of such Shares shall be made as soon as administratively feasible after the end of the Restriction Period or such later date as may have been elected by the Participant under Section 9. Delivery of the cash payment of any amount credited to the Participant's Dividend Equivalent Account shall be made as soon as administratively feasible after the end of the Restriction Period.

6. Termination of Employment Due to Death, End of Service or Disability.

(a) Before March 15, 2006.

A Participant who ceases to be an employee prior to March 15, 2006 by reason of death, End of Service or Disability shall be terminated from the Plan, and his Deferral Election shall be cancelled. Any base salary earned but not paid due to the Participant's Deferral Election shall be paid to the Participant (or in the case of the Participant's death, the Participant's beneficiary) in cash as soon as administratively feasible after his termination of employment.

(b) After March 14, 2006 but Before January 1, 2007.

If the Participant ceases to be an employee after March 14, 2006 but prior to January 1, 2007 by reason of death, End of Service or Disability, the Participant (or in the case of the Participant's death, the Participant's beneficiary) shall be entitled to receive a number of Shares equal to the sum of (i) and (ii):

(i) the number of Salary Restricted Stock Units credited to the Participant under Section 2(c) multiplied by a fraction, the numerator of which is the number of full pay periods in the period beginning on January 1, 2006 and ending on the date the Participant ceases to be an employee and the denominator of which is 24; and

(ii) the number of Bonus Restricted Stock Units credited to the Participant under Section 2(c).

(c) After December 31, 2006.

If the Participant ceases to be an employee after December 31, 2006 but prior to the end of the Restriction Period by reason of death, End of Service or Disability, the Participant (or in the case of the Participant's death, the Participant's beneficiary) shall be entitled to receive a number of Shares equal to the number of Restricted Stock Units credited to the Participant under Section 2(b) and a cash payment equal to the Participant's Dividend Equivalent Account under Section 4.

(d) Beneficiary.

Any distribution made with respect to a Participant who has died shall be paid to the beneficiary designated by the Participant pursuant to Article 11 of the Plan to receive the Participant's Shares and any cash payment under this Agreement. If the Participant's beneficiary predeceases the Participant or no beneficiary has been designated, distribution of the Participant's Shares and any cash payment shall be made to the Participant's surviving spouse and if none, to the Participant's estate.

(e) End of Service.

An employee's "End of Service" means his or her retirement after attaining age 55 and completing ten years of service (as defined in the Lear Corporation Pension Plan, regardless of whether the employee participates in such plan).

7. Involuntary Termination Other Than For Cause.

(a) Before March 15, 2006.

A Participant whose employment involuntarily terminates other than for Cause or for any reason described in Section 6 prior to March 15, 2006 shall be terminated from the Plan, and his Deferral Election shall be cancelled. Any base salary earned but not paid due to the Participant's Deferral Election shall be paid to the Participant in cash as soon as administratively feasible after his termination of employment.

(b) After March 14, 2006 but Before January 1, 2007.

A Participant whose employment involuntarily terminates other than for Cause or for any reason described in Section 6 after March 14, 2006 but prior to January 1, 2007 shall be entitled to receive a number of Shares equal to the sum of (i), (ii), (iii) and (iv):

(i) the number of Salary Restricted Stock Units credited to the Participant under Section 2(c) multiplied by a fraction, the numerator of which is the number of full pay periods in the period beginning on January 1, 2006 and ending on the date the Participant ceases to be an employee, and the denominator of which is 24, multiplied by a fraction, the numerator of which is the number of full months in the period beginning on March 15, 2006 and ending on the date the Participant ceases to be an employee (the "Elapsed Months"), and the denominator of which is 36; and

(ii) the number of Bonus Restricted Stock Units credited to the Participant under Section 2(c) multiplied by a fraction, the numerator of which is the Elapsed Months, and the denominator of which is 36; and

(iii) the lesser of:

(A) the quotient of (i) the total amount of base salary deferred in the Participant's Deferral Election multiplied by a fraction, the numerator of which is the number of full pay periods in the period beginning on January 1, 2006 and ending on the date the Participant ceases to be an employee, and the denominator of which is 24, multiplied by a fraction, the numerator of which is 36 minus the Elapsed Months, and the denominator of which is 36, divided by (ii) the Fair Market Value of a Share on the date the Participant ceases to be an employee, or

(B) the number of Salary Restricted Units determined under Section 2(c) multiplied by a fraction, the numerator of which is the number of full pay periods in the period beginning on January 1, 2006 and ending on the date the Participant ceases to be an employee, and the denominator of which is 24, multiplied by a fraction, the numerator of which is 36 minus the Elapsed Months, and the denominator of which is 36; and

(iv) the lesser of:

(A) the quotient of (i) the amount of bonus deferred in the Participant's Deferral Election multiplied by a fraction, the numerator of which is 36 minus the Elapsed Months, and the denominator of which is 36, divided by (ii) the Fair Market Value of a Share on the date the Participant ceases to be an employee, or

(B) the number of Bonus Restricted Stock Units determined under Section 2(c) multiplied by a fraction, the numerator of which is 36 minus the Elapsed Months, and the denominator of which is 36.

(c) After December 31, 2006.

A Participant whose employment involuntarily terminates other than for cause or for any reason described in Section 6 after December 31, 2006 but prior to the end of the Restriction Period shall be entitled to receive a number of Shares equal to the sum of (i) and (ii):

(i) the number of the Restricted Stock Units credited to the Participant under Section 2(b) multiplied by a fraction, the numerator of which is the Elapsed Months, and the denominator of which is 36, and

(ii) the lesser of:

(A) the quotient of (i) the total amount deferred in the Participant's Deferral Election multiplied by a fraction, the numerator of which is 36 minus the Elapsed Months, and the denominator of which is 36, divided by (ii) the Fair Market Value of a Share on the date the Participant ceases to be an employee, or

(B) the number of Restricted Stock Units determined under Section 2(b) multiplied by a fraction, the numerator of which is 36 minus the Elapsed Months, and the denominator of which is 36.

8. Termination of Employment for Any Other Reason.

(a) Before March 15, 2006.

A Participant whose employment terminates for any reason other than those described in Sections 6 and 7 prior to March 15, 2006 shall be terminated from the Plan, and his Deferral Election shall be cancelled. Any base salary earned but not paid due to the Participant's Deferral Election shall be paid to the Participant in cash as soon as administratively feasible after his termination of employment.

(b) After March 14, 2006 But Before January 1, 2007.

A Participant whose employment terminates for any reason other than those described in Sections 6 and 7 after March 14, 2006 but prior to January 1, 2007 shall be entitled to receive a number of Shares equal to the sum of (i) and (ii):

(i) the lesser of:

(A) the quotient of (i) the amount of base salary the Participant elected to defer in the Participant's Deferral Election multiplied by a fraction, the numerator of which is the number of full pay periods in the period from January 1, 2006 to the date the Participant ceases to be an employee, and the denominator of which is 24, divided by (ii) the Fair Market Value of a Share on the date the Participant ceases to be an employee, or

(B) the number of Salary Restricted Stock Units credited to the Participant under Section 2(c) multiplied by a fraction, the numerator of which is the number of full pay periods in the period from January 1, 2006 to the date the Participant ceases to be an employee, and the denominator of which is 24; and

(ii) the lesser of:

(A) the amount of bonus deferred in the Participant's Deferral Election divided by the Fair Market Value of a Share on the date the Participant ceases to be an employee, or

(B) the number of Bonus Restricted Stock Units credited to the Participant under Section 2(c).

(c) After December 31, 2006.

A Participant whose employment terminates for any reason other than those described in Sections 6 and 7 after December 31, 2006 but prior to the end of the Restriction Period shall be entitled to receive a number of Shares equal to the lesser of: the total amount deferred in the Participant's Deferral Election divided by the Fair Market Value of a Share on the date the Participant ceases to be an employee; or (ii) the number of Restricted Stock Units credited to the Participant under Section 2(b).

9. Election to Defer Beyond Restriction Period.

The Participant may elect to defer delivery of any or all Shares due to Participant hereunder to a date after the Restriction Period expires by properly filing with the Committee a timely irrevocable deferral election that complies with Code Section 409A and such other requirements as may be established by the Committee. In his or her election to defer, the Participant may choose between deferral to a particular calendar year, or to the year following his or her termination of employment, but in no event may the Participant defer delivery of a Share more than ten years beyond the expiration of the Restriction Period under Section 3. If a Participant terminates employment with the Company and all Affiliates for any reason other than End of Service (i) after the Restriction Period expires and (ii) before the calendar year specified in a deferral election, then he or she will be deemed to have elected to defer delivery to the calendar year following his or her termination of employment. In addition, if the Participant dies while employed with the Company or any Affiliate, any Shares remaining to be paid in respect of this Agreement will be paid to his or her beneficiary designated under the Plan as soon as practicable, regardless of any outstanding election to defer. Shares whose receipt is deferred under this Section 9 will be delivered on or about March 15 of the year to which they were deferred.

10. Assignment and Transfers.

The rights and interests of the Participant hereunder may not be assigned, encumbered or transferred except, in the event of the death of the Participant, by will or the laws of descent and distribution.

11. Withholding Tax.

The Company and any Affiliate shall have the right to retain Shares that are distributable to the Participant hereunder to the extent necessary to satisfy any withholding taxes, whether federal, state or local, triggered by the distribution of Shares under this Agreement.

12. No Limitation on Rights of the Company.

The grant hereunder shall not in any way affect the right or power of the Company to make adjustments, reclassification, or changes in its capital or business structure, or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets.

13. Plan, Terms and Conditions and Deferral Election Not a Contract of Employment.

Neither the Plan, the Terms and Conditions, nor the Deferral Election is a contract of employment, and no terms of employment of the Participant shall be affected in any way by the Plan, the Terms and Conditions, the Deferral Election or related instruments except as specifically provided therein. Neither the establishment of the Plan, the Terms and Conditions, nor the Deferral Election shall be construed as conferring any legal rights upon the Participant for a continuation of employment, nor shall they interfere with the right of the Company or any Affiliate to discharge the Participant and to treat Participant without regard to the effect that such treatment might have upon Participant as a Participant.

14. Participant to Not Have Rights as a Stockholder.

The Participant shall not have rights as a stockholder with respect to any Shares subject to the Deferral Election prior to the date on which he or she is recorded as the holder of such Shares on the records of the Company.

15. Notice.

Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, or sent by certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally or, if mailed, three days after the date of deposit in the United States mail, in the case of the Company to 21557 Telegraph Road, Southfield, Michigan, 48034, Attention: General Counsel and, in the case of the Participant, to its address set forth in the Deferral Election or, in each case, to such other address as may be designated in a notice given in accordance with this Section.

16. Governing Law.

This Agreement shall be construed and enforced in accordance with, and governed by, the laws of the State of Michigan, determined without regard to its conflict of law rules.

17. Plan Document Controls.

Any term capitalized herein but not defined shall have the meaning set forth in the Lear Corporation Long-Term Stock Incentive Plan (the "Plan"). The rights herein granted are in all respects subject to the provisions set forth in the Plan to the same extent and with the same effect as if set forth fully herein. In the event that the terms set forth herein conflict with the terms of the Plan document, the Plan document shall control.

18. Code Section 409A

Notwithstanding any other provision herein, this Agreement is intended to comply with Code Section 409A and shall at all times be interpreted and administered in accordance with such intent. To the extent that any provision of the Agreement violates Code Section 409A, such provision shall be automatically reformed, if possible, to comply with Code Section 409A or stricken from the Agreement.

EXHIBIT 10.42

LEAR CORPORATION
LONG-TERM STOCK INCENTIVE PLAN

2006 MANAGEMENT STOCK PURCHASE PLAN (NON-US)
TERMS AND CONDITIONS

1. Deferral Election.

Any Eligible Employee selected by the Committee may irrevocably elect to defer any whole percentage up to 100% of the bonus payable to him or her under the Company's Senior Executive Incentive Compensation Plan or Management Incentive Compensation Plan in the first quarter of 2006 by properly filing with the Committee a written notice to that effect ("Deferral Election") on the form furnished by the Committee. An Eligible Employee who makes a Deferral Election shall be a Participant.

2. Restricted Stock Units.

(a) In consideration for the Participant's Deferral Election, the Participant shall be credited as of March 15, 2006, with Restricted Stock Units at a discounted price ("Discount Rate") as provided in the following table:

Total dollar amount of Participant's Deferral Election, expressed as a percentage of the Participant's base salary:	Applicable Discount Rate:
15% or less	20%
Over 15% and up to 100%	30%
Over 100%	20%

(b) The total number of Restricted Stock Units credited to a Participant under the Plan will be determined according to the following calculation:

(i) the dollar amount of the Participant's Deferral Election that does not exceed 15% of the Participant's base salary, divided by the product of (A) the average Fair Market Value over the last five business days in 2005 (December 23, 27, 28, 29 and 30) (the "Average FMV") multiplied by (B) 80%; plus

(ii) the dollar amount of the Participant's Deferral Election over 15% and up to 100% of the Participant's base salary, divided by the product of (A) the Average FMV multiplied by (B) 70%; plus

(iii) the dollar amount of the Participant's Deferral Election over 100% of the Participant's base salary, divided by the product of (A) the Average FMV multiplied by (B) 80%.

3. Restriction Period.

The Restriction Period under this Agreement shall be the three-year period commencing on March 15, 2006, and ending on March 14, 2009.

4. Dividend Equivalents.

If the Company declares a cash dividend on Shares, the Participant shall be credited with dividend equivalents as of the payment date for the dividend equal to the amount of the cash dividend per Share multiplied by the Restricted Stock Units credited to the Participant under Section 2(b) as of the record date. Dividend equivalents shall be credited to a notional account established for the Participant ("Dividend Equivalent Account"). Interest shall be credited to the Participant's Dividend Equivalent Account, compounded monthly, until payment of such account to the Participant. The rate of such interest shall be the prime rate of interest as reported by the Midwest edition of The Wall Street Journal for the second business day of each quarter on an annual basis.

5. Timing and Form of Payout.

Except as provided in Sections 6, 7 or 8, after the end of the Restriction Period, the Participant shall be entitled to receive a number of Shares equal to the number of Restricted Stock Units credited to the Participant under Section 2(b) and a cash payment equal to the amount credited to the Participant's Dividend Equivalent Account under Section 4. Delivery of such Shares shall be made as soon as administratively feasible after the end of the Restriction Period or such later date as may have been elected by the Participant under Section 9. Delivery of the cash payment of any amount credited to the Participant's Dividend Equivalent Account shall be made as soon as administratively feasible after the end of the Restriction Period.

6. Termination of Employment Due to Death, End of Service or Disability.

(a) Before March 15, 2006.
A Participant who ceases to be an employee prior to March 15, 2006, by reason of death, End of Service or Disability shall be terminated from the Plan, and his Deferral Election shall be cancelled.

(b) After March 14, 2006 but Before January 1, 2007.
If the Participant ceases to be an employee after March 14, 2006, but prior to January 1, 2007, by reason of death, End of Service or Disability, the Participant (or in the case of the Participant's death, the Participant's beneficiary) shall be entitled to receive a number of Shares equal to the number of Restricted Stock Units credited to the Participant under Section 2(b).

(c) After December 31, 2006.
If the Participant ceases to be an employee after December 31, 2006, but prior to the end of the Restriction Period by reason of death, End of Service or Disability,

the Participant (or in the case of the Participant's death, the Participant's beneficiary) shall be entitled to receive a number of Shares equal to the number of Restricted Stock Units credited to the Participant under Section 2(b) and a cash payment equal to the Participant's Dividend Equivalent Account under Section 4.

(d) Beneficiary.
Any distribution made with respect to a Participant who has died shall be paid to the beneficiary designated by the Participant pursuant to Article 11 of the Plan to receive the Participant's Shares and any cash payment under this Agreement. If the Participant's beneficiary predeceases the Participant or no beneficiary has been designated, distribution of the Participant's Shares and any cash payment shall be made to the Participant's surviving spouse and if none, to the Participant's estate.

(e) End of Service.
An employee's "End of Service" means his or her retirement after attaining age 55 and completing ten years of service (as defined in the Lear Corporation Pension Plan, regardless of whether the employee participates in such plan).

7. Involuntary Termination Other Than For Cause.

(a) Before March 15, 2006.
A Participant whose employment involuntarily terminates other than for Cause or for any reason described in Section 6 prior to March 15, 2006, shall be terminated from the Plan, and his Deferral Election shall be cancelled.

(b) After March 14, 2006 but Before January 1, 2007.
A Participant whose employment involuntarily terminates other than for Cause or for any reason described in Section 6 after March 14, 2006, but prior to January 1, 2007, shall be entitled to receive a number of Shares equal to the sum of (i) and (ii):

(i) the number of Restricted Stock Units credited to the Participant under Section 2(b) multiplied by a fraction, the numerator of which is the Elapsed Months, and the denominator of which is 36; and

(ii) the lesser of:

(A) the quotient of (i) the amount of bonus deferred in the Participant's Deferral Election multiplied by a fraction, the numerator of which is 36 minus the Elapsed Months, and the denominator of which is 36, divided by (ii) the Fair Market Value of a Share on the date the Participant ceases to be an employee, or

(B) the number of Restricted Stock Units determined under Section 2(b) multiplied by a fraction, the numerator of which is 36 minus the Elapsed Months, and the denominator of which is 36.

(c) After December 31, 2006.
A Participant whose employment involuntarily terminates other than for cause or for any reason described in Section 6 after December 31, 2006, but prior to the end of the Restriction Period shall be entitled to receive a number of Shares equal to the sum of (i) and (ii):

(i) the number of the Restricted Stock Units credited to the Participant under Section 2(b) multiplied by a fraction, the numerator of which is the Elapsed Months, and the denominator of which is 36, and

(ii) the lesser of:

(A) the quotient of (i) the total amount deferred in the Participant's Deferral Election multiplied by a fraction, the numerator of which is 36 minus the Elapsed Months, and the denominator of which is 36, divided by (ii) the Fair Market Value of a Share on the date the Participant ceases to be an employee, or

(B) the number of Restricted Stock Units determined under Section 2(b) multiplied by a fraction, the numerator of which is 36 minus the Elapsed Months, and the denominator of which is 36.

8. Termination of Employment for Any Other Reason.

(a) Before March 15, 2006.
A Participant whose employment terminates for any reason other than those described in Sections 6 and 7 prior to March 15, 2006, shall be terminated from the Plan, and his Deferral Election shall be cancelled.

(b) After March 14, 2006 But Before January 1, 2007.
A Participant whose employment terminates for any reason other than those described in Sections 6 and 7 after March 14, 2006, but prior to January 1, 2007, shall be entitled to receive a number of Shares equal to:

(i) the lesser of:

(A) the amount of bonus deferred in the Participant's Deferral Election divided by the Fair Market Value of a Share on the date the Participant ceases to be an employee, or

(B) the number of Restricted Stock Units credited to the Participant under Section 2(b).

(c) After December 31, 2006.
A Participant whose employment terminates for any reason other than those described in Sections 6 and 7 after December 31, 2006, but prior to the end of the Restriction Period shall be entitled to receive a number of Shares equal to the lesser of: the total amount deferred in the Participant's Deferral Election divided by the Fair Market Value of a Share on the date the Participant ceases to be an employee; or (ii) the number of Restricted Stock Units credited to the Participant under Section 2(b).

9. Election to Defer Beyond Restriction Period.

The Participant may elect to defer delivery of any or all Shares due to Participant hereunder to a date after the Restriction Period expires by properly filing with the Committee a timely irrevocable deferral election. In his or her election to defer, the Participant may choose between deferral to a particular calendar year, or to the year following his or her termination of employment, but in no event may the Participant defer delivery of a Share more than ten years beyond the expiration of the Restriction Period under Section 3. If a Participant terminates employment with the Company and all Affiliates for any reason other than End of Service (i) after the Restriction Period expires and (ii) before the calendar year specified in a deferral election, then he or she will be deemed to have elected to defer delivery to the calendar year following his or her termination of employment. In addition, if the Participant dies while employed with the Company or any Affiliate, any Shares remaining to be paid in respect of this Agreement will be paid to his or her beneficiary designated under the Plan as soon as practicable, regardless of any outstanding election to defer. Shares whose receipt is deferred under this Section 9 will be delivered on or about March 15 of the year to which they were deferred. An election to defer will be considered timely only if it is filed at least one year and one day in advance of the date the Restriction Period expires and the Participant remains employed by the Company or an Affiliate for such period of one year and one day.

10. Assignment and Transfers.

The rights and interests of the Participant hereunder may not be assigned, encumbered or transferred except, in the event of the death of the Participant, by will or the laws of descent and distribution.

11. Withholding Tax.

The Company and any Affiliate shall have the right to retain Shares that are distributable to the Participant hereunder to the extent necessary to satisfy any withholding taxes, whether federal, state or local, triggered by the distribution of Shares under this Agreement.

12. No Limitation on Rights of the Company.

The grant hereunder shall not in any way affect the right or power of the Company to make adjustments, reclassification, or changes in its capital or business structure, or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets.

13. Plan, Terms and Conditions and Deferral Election Not a Contract of Employment.

Neither the Plan, the Terms and Conditions, nor the Deferral Election is a contract of employment, and no terms of employment of the Participant shall be affected in any way by the Plan, the Terms and Conditions, the Deferral Election or related instruments except as specifically provided therein. Neither the establishment of the Plan, the Terms and Conditions, nor the Deferral Election shall be construed as conferring any legal rights upon the Participant for a continuation of employment, nor shall they interfere with the right of the Company or any Affiliate to discharge the Participant and to treat Participant without regard to the effect that such treatment might have upon Participant as a Participant.

14. Participant to Not Have Rights as a Stockholder.

The Participant shall not have rights as a stockholder with respect to any Shares subject to the Deferral Election prior to the date on which he or she is recorded as the holder of such Shares on the records of the Company.

15. Notice.

Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, or sent by certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally or, if mailed, three days after the date of deposit in the United States mail, in the case of the Company to 21557 Telegraph Road, Southfield, Michigan, 48034, Attention: General Counsel and, in the case of the Participant, to its address set forth in the Deferral Election or, in each case, to such other address as may be designated in a notice given in accordance with this Section.

16. Governing Law.

This Agreement shall be construed and enforced in accordance with, and governed by, the laws of the State of Michigan, determined without regard to its conflict of law rules.

17. Plan Document Controls.

Any term capitalized herein but not defined shall have the meaning set forth in the Lear Corporation Long-Term Stock Incentive Plan (the "Plan"). The rights herein granted are in all respects subject to the provisions set forth in the Plan to the same extent and with the same effect as if set forth fully herein. In the event that the terms set forth herein conflict with the terms of the Plan document, the Plan document shall control.

EXHIBIT 10.48

FIRST AMENDMENT
TO THE
LEAR CORPORATION EXECUTIVE SUPPLEMENTAL SAVINGS PLAN
(AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 2004)

The Lear Corporation Executive Supplemental Savings Plan (As Amended and Restated Effective January 1, 2004) is amended, effective November 10, 2005, in the following particulars:

1. By adding the following Section 1.2A:

"'Average Interest Rate' means the average of the 10-year Treasury Note rates, as published in the Wall Street Journal Midwest edition, in effect as of the first business day of each of the four calendar quarters preceding such calendar year (e.g., for 2006, the Average Interest Rate shall be the average of the 10-Year Treasury Note Rates in effect on January 3, 2005, April 1, 2005, July 1, 2005, and October 3, 2005)."

2. By deleting the first paragraph of Section 3.1 and replacing it with the following:

"The aggregate of the amounts of Deferred Compensation and deemed earnings on such amounts shall be paid to the participant or his or her beneficiary, as applicable, from the general assets of the Corporation in accordance with this Plan and related election forms. Deemed earnings with respect to Deferred Compensation shall be credited monthly at the monthly compound equivalent of the Prime Rate plus 1% in effect at the beginning of each calendar quarter. Effective January 1, 1998, the interest rate will be credited monthly at the monthly compound equivalent of the Prime Rate in effect at the beginning of each calendar quarter. The Prime Rate shall be the prime rate as published in the Wall Street Journal Midwest edition showing such rate in effect as of the first business day of each calendar quarter. Effective January 1, 2006, deemed earnings with respect to Deferred Compensation shall be credited monthly at the monthly compound equivalent of the Average Interest Rate.

"A bookkeeping account shall be maintained for each affected participant to record the amount of such Deferred Compensation and deemed earnings thereon. Participants are always 100 percent vested in their Deferred Accounts."

2. By deleting Section 3.3 and replacing it with the following:

"A bookkeeping account shall be established on behalf of each participant in the Plan, which shall be credited with the excess, if any, of (i) the amount of employer matching contributions which would have been made on behalf of a participant had the participant's Deferred Compensation been contributed to the Savings Plan (without regard to any refunds of participant contributions required under the Code, or the effects of Code Sections 401(a)(17), 402(g) or 415), over (ii) actual employer matching contributions under the Savings Plan. The Savings Make-up Account shall be credited monthly with deemed investment earnings at the monthly compound equivalent of the Prime Rate plus 1% in effect at the beginning of each calendar quarter. Effective January 1, 1998, the interest rate will be credited monthly at the monthly compound equivalent of the Prime Rate in effect at the beginning of each calendar quarter. The Prime Rate shall be the prime rate as published in the Wall Street Journal Midwest edition showing such rate in effect as of the first business day of each calendar quarter. Effective January 1, 2006, deemed earnings with respect to Deferred Compensation shall be credited monthly at the monthly compound equivalent of the Average Interest Rate.

"A participant is vested in his or her Savings Make-up Account after three years of Service (as defined in the Pension Plan)."

3. By deleting Section 3.4 and replacing it with the following:

"A bookkeeping account shall be established on behalf of each participant in the Plan, which shall be credited with the excess, if any, of (i) the amount of employer matching contributions which would have been made on behalf of a participant had the participant's deferred compensation under the MSPP been contributed to the Savings Plan (without regard to any refunds of participant contributions required under the Code, or the effects of Code Sections 401(a)(17), 402(g) or 415), up to, but not exceeding the rate at which the participant contributed to the Savings Plan for such year, over (ii) actual employer matching contributions under the Savings Plan. The MSPP Make-up Account shall be credited monthly with deemed investment earnings at the monthly compound equivalent of the Prime Rate plus 1% in effect at the beginning of each calendar quarter. Effective January 1, 1998, the interest rate will be credited monthly at the monthly compound equivalent of the Prime Rate in effect at the beginning of each calendar quarter. The Prime Rate shall be the prime rate as published in the Wall Street Journal Midwest edition showing such rate in effect as of the first business day of each calendar quarter. Effective January 1, 2006, deemed earnings with respect to Deferred Compensation shall be credited monthly at the monthly compound equivalent of the Average Interest Rate.

"A participant is vested in his or her MSPP Make-up Account after three years of Service (as defined in the Pension Plan)."

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Exhibit 11.1

COMPUTATION OF NET INCOME PER SHARE

(In millions, except share information)

	For the Year Ended December 31, 2005		For the Year Ended December 31, 2004		For the Year Ended December 31, 2003	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Income (loss) before cumulative effect of a change in accounting principle	$ (1,381.5)	$ (1,381.5)	$ 422.2	$ 422.2	$ 380.5	$ 380.5
After-tax interest expense on convertible debt	-	-	-	9.3	-	9.0
Income (loss) before cumulative effect of a change in accounting principle, for diluted net income (loss) per share	(1,381.5)	(1,381.5)	422.2	431.5	380.5	389.5
Cumulative effect of a change in accounting principle, net of tax	-	-	-	-	-	-
Net income (loss), for diluted net income (loss) per share	$ (1,381.5)	$ (1,381.5)	$ 422.2	$ 431.5	$ 380.5	$ 389.5
Weighted average shares:						
Common shares outstanding	67,166,668	67,166,668	68,278,858	68,278,858	66,689,757	66,689,757
Exercise of stock options (1)	-	-	-	1,635,349	-	1,843,755
Exercise of warrants (2)	-	-	-	-	-	-
Shares issuable upon conversion of convertible debt (3)	-	-	-	4,813,056	-	4,813,056
Common and equivalent shares outstanding	67,166,668	67,166,668	68,278,858	74,727,263	66,689,757	73,346,568
Per common and equivalent share:						
Income (loss) before cumulative effect of a change in accounting principle	$ (20.57)	$ (20.57)	$ 6.18	$ 5.77	$ 5.71	$ 5.31
Cumulative effect of a change in accounting principle	-	-	-	-	-	-
Net income (loss)	$ (20.57)	$ (20.57)	$ 6.18	$ 5.77	$ 5.71	$ 5.31

	For the Year Ended December 31, 2002		For the Year Ended December 31, 2001	
	Basic	Diluted	Basic	Diluted
Income (loss) before cumulative effect of a change in accounting principle	$ 311.5	$ 311.5	$ 26.3	$ 26.3
After-tax interest expense on convertible debt	-	7.4	-	-
Income (loss) before cumulative effect of a change in accounting principle, for diluted net income (loss) per share	311.5	318.9	26.3	26.3
Cumulative effect of a change in accounting principle, net of tax	(298.5)	(298.5)	-	-
Net income (loss), for diluted net income (loss) per share	$ 13.0	$ 20.4	$ 26.3	$ 26.3
Weighted average shares:				
Common shares outstanding	65,365,218	65,365,218	63,977,391	63,977,391
Exercise of stock options (1)	-	1,691,921	-	1,327,643
Exercise of warrants (2)	-	-	-	-
Shares issuable upon conversion of convertible debt (3)	-	4,232,852	-	-
Common and equivalent shares outstanding	65,365,218	71,289,991	63,977,391	65,305,034

Per common and equivalent share:				
Income (loss) before cumulative effect of a change in accounting principle	$ 4.77	$ 4.47	$ 0.41	$ 0.40
Cumulative effect of a change in accounting principle	4.57	4.18	-	-
Net income (loss)	$ 0.20	$ 0.29	$ 0.41	$ 0.40

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(1) Amount represents the number of common shares issued assuming exercise of stock options outstanding, reduced by the number of shares which could have been purchased with the proceeds from the exercise of such options.

(2) Amount represents the number of common shares issued assuming exercise of warrants outstanding.

(3) Amount represents the number of common shares issued assuming the conversion of convertible debt outstanding.

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Exhibit 12.1

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES

(IN MILLIONS, EXCEPT RATIO OF EARNINGS TO FIXED CHARGES)

	Year Ended December 31,				
	2005	2004	2003	2002	2001
Income (loss) before provision for income taxes, minority interests in consolidated subsidiaries, equity in net (income) loss of affiliates and cumulative effect of a change in accounting principle	$ (1,128.6)	$ 564.3	$ 534.4	$ 480.5	$ 97.4
Fixed charges	228.6	207.2	226.4	249.3	293.6
Distributed income of affiliates	5.3	3.2	8.7	5.9	4.2
Earnings	$ (894.7)	$ 774.7	$ 769.5	$ 735.7	$ 395.2
Interest expense	$ 183.2	$ 165.5	$ 186.6	$ 210.5	$ 254.7
Portion of lease expense representative of interest	45.4	41.7	39.8	38.8	38.9
Fixed charges	$ 228.6	$ 207.2	$ 226.4	$ 249.3	$ 293.6
Ratio of Earnings to Fixed Charges(1)	-	3.7	3.4	3.0	1.3
Fixed Charges in Excess of Earnings	$ 1,123.3	$ -	$ -	$ -	$ -

(1) Earnings in 2005 were insufficient to cover fixed charges by $1,123.3 million. Accordingly, such ratio is not presented.

Exhibit 21.1

List of Subsidiaries of the Company (1)

Alfombras San Luis S.A. (Argentina)
Amtex, Inc. (Pennsylvania) (50%)
Asia Pacific Components Co., Ltd. (Thailand) (90.4123%)
Beijing Lear Dymos Automotive Seating and Interior Co., Ltd. (China) (40%)
Chongqing Lear Chang'an Automotive Interior Trim Co., Ltd. (China) (45.375%)
CL Automotive, LLC (Michigan) (49%)
Consorcio Industrial Mexicanos de Autopartes, S.A. de C.V. (Mexico)
Dong Kwang Lear Yuhan Hoesa (Korea) (50%)
General Seating of America, Inc. (Delaware) (49.999941%)
General Seating of Canada, Ltd. (Canada) (50%)
General Seating of Thailand Corp. Ltd. (Thailand) (50%)
GHW Engineering GmbH (Germany)
Grote & Hartmann Automotive de Mexico S.A. de C.V. (Mexico)
Grote & Hartmann de Mexico S.A. de C.V. (Mexico)
Grote & Hartmann South Africa (Pty.) Ltd. (South Africa)
Hanil Lear India Private Limited (India) (50%)
Honduras Electrical Distribution Systems S. de R.L. de C.V. (Honduras) (60%)
Industrias Cousin Freres, S.L. (Spain) (49.99%)
Industrias Lear de Argentina SrL (Argentina)
Integrated Manufacturing and Assembly, LLC (Michigan) (49%)
Jiangxi Jiangling Lear Interior Systems Co. Ltd. (China) (41.25%)
John Cotton Plastics Limited (UK)
Lear ASC Corporation (Delaware)
Lear Asian OEM Technologies, L.L.C. (Delaware)
Lear Automotive Corporation Singapore Pte. Ltd. (Singapore)
Lear Automotive Dearborn, Inc. (Delaware)
Lear Automotive (EEDS) Almussafes Services S.A. (Spain)
Lear Automotive EEDS Honduras, S.A. (Honduras)
Lear Automotive (EEDS) Philippines, Inc. (Philippines)
Lear Automotive (EEDS) Poland Sp. z o.o. (Poland)
Lear Automotive (EEDS) Spain S.L. (Spain)
Lear Automotive (EEDS) Tunisia S.A. (Tunisia)
Lear Automotive France, SAS (France)
Lear Automotive Interiors (Pty.) Ltd. (South Africa)
Lear Automotive Manufacturing, L.L.C. (Delaware)
Lear Automotive Morocco SAS (Morocco)
Lear Automotive Services (Netherlands) B.V. (Netherlands)
Lear Automotive Services (Netherlands) B.V. -- Philippines Branch (Netherlands)
Lear Brits (SA) (Pty.) Ltd. (South Africa)
Lear Canada (Canada)
Lear Canada Investments Ltd. (Canada)
Lear Canada (Sweden) ULC (Canada)
Lear Canadian Holdings Corporation (Delaware)
Lear Car Seating do Brasil Industria e Comercio de Interiores Automotivos Ltda. (Brazil)
Lear Corporation Asientos, S.L. (Spain)
Lear Corporation Austria GmbH & Co. KG (Austria)
Lear Corporation Austria GmbH (Austria)
Lear Corporation Belgium CVA (Belgium)
Lear Corporation Beteiligungs GmbH (Austria)
Lear Corporation Beteiligungs GmbH (Germany)
Lear Corporation Canada, Ltd. (Canada)
Lear Corporation Changchun Automotive Interior Systems Co., Ltd. (China)
Lear Corporation China Ltd. (Mauritius) (82.5%)
Lear Corporation Czech s.r.o. (Czech Republic)
Lear Corporation Drahtfedern GmbH (Germany)
Lear Corporation EEDS and Interiors (Delaware)
Lear Corporation Electrical and Electronics GmbH & Co. KG (Germany)
Lear Corporation Electrical and Electronics (Michigan)
Lear Corporation Electrical and Electronics Sp. z o.o. (Poland)
Lear Corporation Electrical and Electronics s.r.o. (Czech Republic)
Lear Corporation France SAS (France)
Lear Corporation (Germany) Ltd. (Delaware)
Lear Corporation Global Development, Inc. (Delaware)
Lear Corporation GmbH & Co. KG (Germany)
Lear Corporation Holding GmbH (Germany)
Lear Corporation Holdings Spain S.L. (Spain)
Lear Corporation Honduras, S. de R.L. (Honduras)
Lear Corporation Hungary Automotive Manufacturing Kft. (Hungary)
Lear Corporation Interior Components (Pty.) Ltd. (South Africa)
Lear Corporation Italia S.r.l. (Italy)
Lear Corporation Japan K.K. (Japan)
Lear Corporation (Mauritius) Limited (Mauritius)
Lear Corporation Mendon (Delaware)
Lear Corporation Mexico, S.A. de C.V. (Mexico)
Lear Corporation North West (Pty.) Ltd. (South Africa)
Lear Corporation (Nottingham) Limited (UK)
Lear Corporation Poland II Sp. z o.o. (Poland)
Lear Corporation Poland Sp. z o.o. (Poland)
Lear Corporation Portugal -- Componentes Para Automoveis, S.A. (Portugal)
Lear Corporation Romania S.r.L. (Romania)
Lear Corporation Seating France Feignies SAS (France)
Lear Corporation Seating France Lagny SAS (France)
Lear Corporation Seating France SAS (France)
Lear Corporation (Shanghai) Limited (China)
Lear Corporation Silao S.A. de C.V. (Mexico)
Lear Corporation Slovakia s.r.o. (Slovak Republic)
Lear Corporation Spain S.L. (Spain)
Lear Corporation (SSD) Ltd. (UK)
Lear Corporation Sweden AB (Sweden)
Lear Corporation UK Holdings Limited (UK)
Lear Corporation UK Interior Systems Limited (UK)
Lear Corporation (UK) Limited (UK)
Lear Corporation Verwaltungs GmbH (Germany)
Lear de Venezuela C.A. (Venezuela)
Lear Diamond Electro-Circuit Systems Co., Ltd. (Japan) (50%)
Lear do Brasil Industria e Comercio de Interiores Automotivos Ltda. (Brazil)
Lear Dongfeng Automotive Seating Co., Ltd. (China) (50%)
Lear East European Operations, Luxembourg, Swiss Branch, Kusnacht (Luxembourg)
Lear East European Operations S.a.r.l. (Luxembourg)
Lear Electrical (Poland) Sp. z o.o. (Poland)
Lear Electrical Systems de Mexico, S. de R.L. de C.V. (Mexico)
Lear European Holding S.L. (Spain)
Lear Financial Services (Luxembourg) S.a.r.l. (Luxembourg)
Lear Financial Services (Netherlands) B.V. (Netherlands)
Lear Furukawa Corporation (Delaware) (80%)
Lear Gebaudemanagement GmbH & Co. KG (Germany)

Lear Holdings (Hungary) Kft. (Hungary)
Lear Holdings, S.r.l. de C.V. (Mexico)
Lear Investments Company, L.L.C. (Delaware)
Lear Korea Yuhan Hoesa (Korea) (99.95%)
Lear-Kyungshin Sales and Engineering LLC (Delaware) (60%)
Lear (Luxembourg) S.a.r.l. (Luxembourg)
Lear Mexican Holdings, L.L.C. (Delaware)
Lear Mexican Trim Operations S. de R.L. de C.V. (Mexico)
Lear Midwest Automotive, Limited Partnership (Delaware)
Lear-NHK Seating and Interior Co., Ltd. (Japan) (50%)
Lear Offranville SARL (France)
Lear Operations Corporation (Delaware) (2)
Lear Otomotiv Sanayi ve Ticaret Ltd. Sirketi (Turkey)
Lear Rosslyn (Pty.) Ltd. (South Africa)
Lear Seating Holdings Corp. # 50 (Delaware)
Lear Seating Holdings Corp. # 50 Shanghai Representative Office (China)
Lear Seating Private Limited (India)
Lear Seating (Thailand) Corp. Ltd. (Thailand) (97.88%)
Lear Sewing (Pty.) Ltd. (South Africa)
Lear Shurlok Electronics (Proprietary) Limited (South Africa) (51%)
Lear South Africa Limited (Cayman Islands)
Lear Technologies, L.L.C. (Delaware)
Lear Teknik Oto Yan Sanayi Ltd. Sirket (Turkey) (67%)
Lear Trim L.P. (Delaware)
Lear UK Acquisition Limited (UK)
Lear UK ISM Limited (UK)
Lear West European Operations S.a.r.l. (Luxembourg)
Markol Otomotiv Yan Sanayi VE Ticaret A.S. (Turkey) (35%)
Martur Sunger ve Koltuk Tesisleri Ticaret A.S. (Turkey) (35%)
Mawlaw 569 Limited (UK)
Nanjing Lear Xindi Automotive Interiors Systems Co., Ltd. (China) (50%)
OOO Lear (Russia)
Pendulum, LLC (Alabama) (49%)
Rael Handelsgmbh (Austria)
RecepTec GmbH (Germany) (20.6534%)
RecepTec Holdings, L.L.C. (Michigan) (20.6534%)
RecepTec, L.L.C. (Michigan) (20.6534%)
Renosol Seating, LLC (Michigan) (49%)
Renosol Seating Properties, LLC (Alabama) (49%)
Renosol Systems, LLC (Michigan) (49%)
Reyes-Amtex Automotive, LLC (Texas) (24.5%)
Reyes Automotive Group, LLC (Texas) (49%)
RL Holdings, LLC (Michigan) (49%)
Shanghai Lear Automobile Interior Trim Co., Ltd. (China) (45.375%)
Shanghai Lear Automotive Systems Co., Ltd. (China)
Shanghai Lear STEC Automotive Parts Co., Ltd. (China) (55%)
Shanghai Songjiang Lear Automotive Carpet & Accoustics Co. Ltd. (China) (41.25%)
Shenyang Lear Automotive Seating and Interior Systems Co., Ltd. (China) (60%)
Societe Offransvillaise de Technologie SAS (France)
Strapur SA (Argentina) (5%)
Tacle Guangzhou Automotive Seat Co., Ltd. (China) (20%)
Tacle Seating UK Limited (UK) (51%)
Total Interior Systems -- America, LLC (Indiana) (39%)
UPM S.r.L. (Italy) (39%)
Wuhan Lear-DPCA Auto Electric Company, Limited (China) (75%)
Wuhan Lear-Yunhe Automotive Interior System Co., Ltd. (China) (50%)

(1) All subsidiaries are wholly owned unless otherwise indicated.

(2) Lear Operations Corporation also conducts business under the names Lear Corporation, Lear Corporation of Georgia, Lear Corporation of Kentucky and Lear Corporation of Ohio.

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Form S-3 File Nos. 333-16341, 333-43085, 333-38574, 333-85144 and 333-85144-01 through -09; and Form S-8 File Nos. 33-55783, 33-57237, 33-61739, 333-03383, 333-06209, 333-16413, 333-16415, 333-28419, 333-59467, 333-62647, 333-78623, 333-94787, 333-94789, 333-61670, 333-108881, 333-108882 and 333-108883) of Lear Corporation and in the related Prospectus of our reports dated March 6, 2006, with respect to the consolidated financial statements and schedule of Lear Corporation, Lear Corporation management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Lear Corporation included in this Annual Report (Form 10-K) for the year ended December 31, 2005.

/s/ Ernst & Young LLP

Troy, Michigan
March 6, 2006

CERTIFICATION

I, Robert E. Rossiter, certify that:

1. I have reviewed this annual report on Form 10-K of Lear 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(s) 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(s) 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 the 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: March 8, 2006

By: /s/ Robert E. Rossiter

Robert E. Rossiter
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, David C. Wajsgras, certify that:

1. I have reviewed this annual report on Form 10-K of Lear 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(s) 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(s) 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 the 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: March 8, 2006

By: /s/ David C. Wajsgras

David C. Wajsgras
Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Lear Corporation (the "Company") on Form 10-K for the period ended December 31, 2005, as filed with the Securities and Exchange Commission (the "Report"), the undersigned, as the Chief Executive Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 8, 2006

Signed: /s/ Robert E. Rossiter

Robert E. Rossiter
Chief Executive Officer

This written statement accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Lear Corporation (the "Company") on Form 10-K for the period ended December 31, 2005, as filed with the Securities and Exchange Commission (the "Report"), the undersigned, as the Chief Executive Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 8, 2006

Signed: /s/ David C. Wajsgras

David C. Wajsgras
Chief Financial Officer

This written statement accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.