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, 2013.

☐ **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 **(State or other jurisdiction of incorporation or organization)**	**13-3386776** **(I.R.S. Employer Identification No.)**
21557 Telegraph Road, Southfield, MI **(Address of principal executive offices)**	**48033** **(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:
Warrants to purchase Common Stock, par value $0.01 per share

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ 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, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☒ No ☐

As of June 29, 2013, the aggregate market value of the registrant's common stock, par value $0.01 per share, held by non-affiliates of the registrant was $4,870,440,427. The closing price of the common stock on June 29, 2013, as reported on the New York Stock Exchange, was $60.46 per share.

As of February 5, 2014, the number of shares outstanding of the registrant's common stock was 80,764,280 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Certain sections of the registrant's Notice of Annual Meeting of Stockholders and Definitive Proxy Statement on Schedule 14A for its Annual Meeting of Stockholders to be held in May 2014, 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

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(1) Certain information is incorporated by reference, as indicated below, to the registrant’s Notice of Annual Meeting of Stockholders and Definitive Proxy Statement on Schedule 14A for its Annual Meeting of Stockholders to be held in May 2014 (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 Corporate Governance.”

(3) Incorporated by reference to the Proxy Statement sections entitled “Directors and Corporate Governance — Director Compensation,” “Compensation Discussion and Analysis,” “Executive Compensation,” “Compensation Committee Interlocks and Insider Participation” and “Compensation Committee Report.”

(4) A portion of the information required is incorporated by reference to the Proxy Statement section entitled “Directors and Corporate Governance — Security Ownership of Certain Beneficial Owners, Directors and Management.”

(5) Incorporated by reference to the Proxy Statement sections entitled “Certain Relationships and Related Party Transactions” and “Directors and Corporate Governance — Independence of Directors.”

(6) Incorporated by reference to the 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 Part II — Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Forward-Looking Statements."

BUSINESS OF THE COMPANY

General

Lear Corporation is a leading Tier 1 supplier to the global automotive industry. Our business spans all major automotive markets, and we supply seating and electrical distribution systems and related components to virtually every major automotive manufacturer in the world. We have manufacturing, engineering and administrative capabilities in 36 countries with 226 locations and are continuing to grow our business in all automotive producing regions of the world.

Lear is a recognized global leader in complete automotive seat systems and certain key individual component parts. Our seating business consists of the design, engineering, just-in-time assembly and delivery of complete seat systems, as well as the manufacture of all major seat components, including seat structures and mechanisms, seat covers, seat foam and headrests. Our electrical business consists of the design, engineering and manufacturing of complete electrical distribution systems that route electrical signals and manage electrical power within a vehicle for both traditional powertrain vehicles, as well as high-power for hybrid and electric vehicles. Key components of our electrical business include wiring harnesses, terminals and connectors, junction boxes, electronic control modules and wireless control devices. We are one of only four suppliers with complete electrical capabilities in every major automotive producing market in the world.

In recent years, we have followed a balanced strategy of investing in our business, managing risks, maintaining a strong and flexible balance sheet and returning cash to our shareholders to position Lear to deliver superior long-term shareholder value. We are focused on profitably growing and improving the competitiveness of both our seating and electrical businesses. From 2011 to 2013, we invested approximately $350 million and opened 23 new component facilities across both product segments to expand our component manufacturing capabilities in emerging markets and low-cost countries. We continue to pursue acquisitions that will complement our present product offerings, facilitate further diversification of our sales and increase our component capabilities. In seating, we acquired Guilford Performance Textiles to enhance our capabilities in seat covers. This acquisition has strengthened our customer relationships by allowing us to offer our customers unique fabric designs and custom seat covers. In electrical, we narrowed our primary focus to providing complete electrical distribution systems and related components and exited non-core product lines, such as switches, tire pressure monitoring systems and certain other electronic products. We have significant experience in designing and manufacturing highly integrated and standardized architectures that optimize size, performance and quality. These strategic actions allowed our business units to better leverage their scale and low-cost capabilities to improve overall operating efficiency and align our product offerings with the increasing customer trends toward global vehicle platforms, directed component sourcing and increased electrical content.

Since 2010, our sales have grown at an annual rate of 11% per year, which is more than twice the growth rate of global automotive industry production. Both of our business segments are outpacing the industry growth rate, reflecting the benefit of our low-cost footprint, our customers' increasing utilization of global vehicle platforms and market share gains. We believe that the initiatives that we have implemented over the last few years will continue to add value for our stakeholders. Specific elements of our strategy to date have been:

- Restructured manufacturing and engineering footprint to improve competitive position
- Expanded component capabilities through organic investment and acquisitions
- Rationalized product offerings in our electrical business and increased capabilities in electrical distribution systems
- Returned cash to our shareholders

We have the product expertise, global reach, competitive footprint and financial flexibility to continue the profitable growth of both of our business segments. Going forward, the key elements of our strategy include:

- Continue to deliver profitable growth, balancing risks and returns

- Further expand our component capability in emerging and low-cost markets
- Pursue complementary acquisitions to strengthen and grow both business segments
- Maintain our strong balance sheet with investment grade credit metrics
- Consistently return cash to our shareholders

We believe that it is important to have capabilities that are aligned with our major customers' global product development strategies and to leverage our expanding design, engineering and manufacturing capabilities in low-cost regions. We are one of the few suppliers in each of our product segments that is able to provide low-cost components and serve customers with design, development, engineering, integration and production capabilities in all automotive producing regions of the world and in every major market, including North America, South America, Europe and Asia. This will support future growth, especially given the increasing customer trends toward global vehicle platforms, directed component sourcing and increased electrical content. We currently support our global operations with more than 100 manufacturing and engineering facilities located in the following low-cost countries:

Argentina	Malaysia	Russia
Brazil	Mexico	Slovak Republic
China	Moldova	South Africa
Czech Republic	Morocco	Thailand
Honduras	Philippines	Tunisia
Hungary	Poland	Turkey
India	Romania	Vietnam
Indonesia		

In addition to expanding our business with existing customers in our more established markets, our expansion plans are focused primarily on emerging markets. Asia, in particular, continues to present significant growth opportunities, as major global automotive manufacturers implement production expansion plans and local automotive manufacturers aggressively expand their operations to meet expected growth in long-term demand in this region. Our expansion in Asia has been accomplished through wholly owned subsidiaries, as well as a number of joint ventures. As of December 31, 2013, we had eighteen joint ventures located throughout Asia. In addition to helping us grow our business in new markets, these joint ventures have helped us to expand our product offerings and broaden our customer base.

Key trends affecting our business include:

- Global growth in automotive demand in all regions over the next several years, with the emerging markets growing faster than the mature markets;
- Automotive manufacturers' increasing utilization of global vehicle platforms and directed component sourcing;
- Increasing demand for improved fuel efficiency, safety, connectivity, comfort and convenience in vehicles, driving increased electrical content and more complex vehicle electrical architectures; and
- Stricter fuel economy and emission standards, which require more efficient engines, lighter weight materials and alternative energy powertrains, driving growth in high-power electrical distribution systems and lighter weight seat systems.

We believe that our broad customer base and strong financial resources will allow us to capitalize on global growth in automotive production, while our low-cost engineering and manufacturing capabilities will provide us with the ability to support our customers' move to global vehicle platforms. We expect that our sales backlog will support future market share gains, as further described below under "— Recent Developments." Our low-cost global footprint and engineering and component capabilities in our seating business will allow us to continue to penetrate our customers' global vehicle platforms and participate in directed component sourcing. Our electrical business has been growing significantly faster than the overall automotive industry as we continue to benefit from content growth and gain market share. In addition, automotive industry trends for increasing electrical content and improved fuel efficiency should support continued growth in this segment.

History

Lear was founded in Detroit in 1917 as American Metal Products, a manufacturer of seating assemblies and other components for the automotive and aircraft industries, and was incorporated in Delaware in 1987. Through a management-led buyout in 1988, Lear Corporation established itself as a privately-held seat assembly operation for the North American automobile market with annual sales of approximately $900 million. We completed an initial public offering in 1994 and developed into a global supplier through organic growth and a series of acquisitions.

In 2005, we initiated a multi-year operational restructuring strategy. Since 2005, we have closed 52 manufacturing and 12 administrative facilities. Our current footprint reflects more than 80% of our component facilities and more than 90% of our related employment in 22 low-cost countries. For further information, see Item 1A, “Risk Factors,” and Note 4, “Restructuring,” to the consolidated financial statements included in this Report.

In July 2009, following a global economic downturn and associated decline in automotive production, Lear and certain of its U.S. and Canadian subsidiaries filed petitions for relief under Chapter 11 with the bankruptcy court, following a comprehensive evaluation of our strategic and financial options. In November 2009, our plan of reorganization became effective, and we emerged from Chapter 11 bankruptcy proceedings.

Recent Developments

In 2012 and 2013, global automotive industry production volumes improved significantly, up 7% in 2012 from the prior year and another 4% in 2013 to a record 82.6 million units. North American industry production increased 18% in 2012 from the prior year and another 5% in 2013 to 16.2 million units. European and African industry production remains below historical levels, declining 4% in 2012 from the prior year and increasing 1% in 2013 to 19.7 million units. Asian industry production increased 11% in 2012 from the prior year and another 5% in 2013 to 41.4 million units.

Our sales are driven by the number of vehicles produced by the automotive manufacturers, which is ultimately dependent on consumer demand for automotive vehicles, and our content per vehicle. Our sales are well diversified geographically, by customer and by vehicle segment. In 2013, approximately 38% of our sales were generated in Europe and Africa, 38% in North America, 18% in Asia and 6% in South America. In Asia, where we are pursuing a strategy of aggressive expansion of our sales and operations, we have more than doubled our net sales from $1.1 billion in 2008 to $2.9 billion in 2013. Ford Motor Company, General Motors Company and BMW AG are our three largest customers globally, representing 54% of our sales in 2013. In addition, Daimler AG, Fiat Chrysler Automobiles, Hyundai Motor Company, Jaguar Land Rover Automotive PLC, Peugeot S.A., Renault-Nissan Alliance and Volkswagen Group each represented 3% or more of our 2013 net sales. We supply and have expertise in all vehicle segments of the automotive market, and it is common for us to have content on multiple platforms with a single customer. Our sales content tends to be higher on those vehicle platforms and segments which offer more features and functionality. The popularity of particular vehicle platforms and segments varies over time and by regional market. We expect to continue to win new business at a greater rate than the industry overall. In both our seating and electrical businesses, our low-cost global footprint provides a competitive advantage as our customers move toward global vehicle platforms. In seating, we are a market leader in every automotive producing market in the world. Further, our global manufacturing and engineering expertise, competitive low-cost footprint, complete component capabilities, quality leadership and strong customer relationships provide us with a solid platform for future growth in this segment. In electrical, increasing demand for improved fuel efficiency, safety, connectivity, comfort and convenience and market share gains will support future sales growth. This content growth, as well as our customers’ continued emphasis on vehicle weight reduction, will require far more complex vehicle electrical architectures. Our significant experience designing and manufacturing highly integrated and standardized architectures that optimize size, performance and quality leaves us well positioned to take advantage of the growth in electrical content and the increasingly complex architectures.

Our customers typically award contracts several years before actual production is scheduled to start. Each year, the automotive manufacturers introduce new vehicles, update existing models and discontinue certain models and, recently, even complete brands. In this process, we may be selected as the supplier on a new model, we may continue as the supplier on an updated model or we may lose a new or updated model to a competitor. Our sales backlog reflects anticipated net sales from formally awarded new programs, less lost and discontinued programs. We measure our sales backlog based on contracts to be executed in the next three years. This measure excludes sales at our non-consolidated joint ventures. As of January 2014, our 2014 to 2016 sales backlog is $1.9 billion, of which $950 million relates to 2014 and $1.35 billion and $550 million relate to seating and electrical, respectively. Our current sales backlog assumes volumes based on the independent industry projections of IHS Automotive as of December 2013 and a Euro exchange rate $1.35 / Euro. This sales backlog is generally subject to a number of risks and uncertainties, including vehicle production volumes on new and replacement programs and foreign exchange rates, as well as the timing of production launches and changes in customer development plans. For additional information regarding risks that may affect our sales backlog, see Item 1A, “Risk Factors,” and Part II — Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Forward-Looking Statements.”

Details on light vehicle production in certain key regions for 2013 and 2012 are provided below. Our actual results are impacted by the specific mix of products within each market, as well as other risks described in Item 1A, "Risk Factors."

(In thousands of units)	2013 (1)	2012 (1, 2)	% Change
Europe and Africa	19,684.1	19,585.6	1%
North America	16,184.2	15,439.6	5
Asia	41,350.8	39,346.6	5
South America	4,308.0	4,033.1	7
Other	1,031.7	1,317.4	(22)
Total	82,558.8	79,722.3	4
China	19,325.9	16,905.2	14
India	3,615.1	3,753.0	(4)
Brazil	3,451.0	3,174.7	9
Russia	2,005.1	2,118.2	(5)

(1) Production data based on IHS Automotive for vehicle weights up to 3.5 tons.
(2) Production data for 2012 has been updated to reflect actual production levels.

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 ("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 standing committees of our Board of Directors and other information related to the Company. We are not including the information contained on our website as a part of, or incorporating it by reference into, this Report.

The public may read and copy any materials that 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.

Seating Segment

Lear is a recognized global leader in complete automotive seat systems and certain key individual component parts. The seating segment consists of the design, engineering, just-in-time assembly and delivery of complete seat systems, as well as the manufacture of all major seat components, including seat structures and mechanisms, seat covers, seat form and headrests. We produce seat systems that are fully assembled and ready for installation in automobiles and light trucks. Seat systems are generally designed and engineered for specific vehicle models or platforms. We develop seat systems and components for all vehicle segments from compact cars to full-size sport utility vehicles. We are the world leader in luxury and performance automotive seating, providing craftsmanship, elegance in design, use of innovative materials and industry-leading technology required by the premium automakers, including Alfa Romeo Automobiles S.p.A., Audi AG, Automobili Lamborghini S.p.A., BMW, Cadillac, Ferrari S.p.A., Jaguar Land Rover, Lincoln, Maserati, Mercedes-Benz and Porsche AG.

We also produce components that comprise the seat assemblies, such as seat structures and mechanisms, seat trim covers, headrests and seat foam. We have been pursuing a selective vertical integration strategy to enhance growth, improve quality, increase profitability and defend our current market position in just-in-time ("JIT") seat assembly. In this regard, we have expanded our seat cover operations, including precision cutting, assembly, sewing and lamination of seat fabric, in low-cost markets, entered the fabric business (through our acquisitions of New Trend™ and Guilford Performance Textiles), developed leather finishing and marketing capability (through the introduction of Aventino[R] premium leather), expanded our precision engineered seat mechanism expertise and increased our foam capability through global expansion.

Our product strategy is to develop standardized seat structures and mechanisms that can be adapted to multiple segments to minimize investment costs. By incorporating these key components into our fully assembled seat systems, we are able to provide a higher quality product at a lower total cost.

As a result of our innovative product design and technology capabilities, we are a leader in the design of seats with enhanced safety and convenience features. We have developed products and materials to reduce cost and weight, improve product comfort, customization and styling, enhance safety and increase the usage of environmentally friendly materials. Our mini recliners and micro adjust tracks are lightweight seat mechanisms, which provide precision movement. Our Lear Crafted Comfort Connect™ and Advanced Comfort Systems™ are adjustable cushions, seat backs and side bolsters, which support correct posture and provide improved comfort and appearance. Our Aventino® leather and Guilford TeXstyle™ fabrics provide premium leather perforated for seat ventilation and customizable fabric engineered to improve the vehicle experience and durability. Our head restraints provide improved comfort and safety with adjustability. Our Dynamic Environmental Comfort Systems™ offer weight reductions of 30% – 40%, as compared to current foam seat designs, and utilize environmentally friendly materials, which reduce carbon dioxide emissions. Our SoyFoam™ seats, which are used by multiple global customers, are up to 24% renewable, as compared to non-renewable, petroleum-based foam seats.

Superior quality and customer service continue to be areas of competitive advantage for our seating business. Lear presently ranks as the highest quality major independent seat manufacturer in the 2013 J.D. Power and Associates Seat Quality and Satisfaction Study℠ and has held that distinction for twelve out of the last thirteen years.

Our seat assembly facilities use lean manufacturing techniques, and our finished products are delivered to the automotive manufacturers on a JIT basis, matching our customers’ exact build specifications for a particular day and shift, thereby reducing inventory levels. These facilities are typically located adjacent to or near our customers’ manufacturing and assembly sites. Our seat components, including recliner mechanisms, seat tracks and seat trim covers, are manufactured in batches, typically utilizing facilities in low-cost regions. The principal raw materials used in our seat systems, including steel, foam chemicals, leather hides and yarn are generally available and obtained from multiple suppliers under various types of supply agreements. Fabric, foam, seat structures and mechanisms and certain other components are either manufactured by us internally or purchased from multiple suppliers under various types of supply agreements. The majority of the steel used in our products is comprised of fabricated components that are integrated into a seat system, such as seat frames, recliner mechanisms, seat tracks and other mechanical components. Therefore, our exposure to changes in steel prices is primarily indirect, through these purchased components. We utilize a combination of short-term and long-term supply contracts 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.

Financial Summary

A summary of revenues from external customers and other financial information for our seating segment is shown below. For additional information regarding the operating results of our seating segment, see Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations.” For additional information regarding Lear’s total sales and long-lived assets by geographic area, as well as customer concentrations, see Note 12, “Segment Reporting,” to the consolidated financial statements included in this Report. The top five customers of this segment are: General Motors, Ford, BMW, Volkswagen and Fiat Chrysler.

(In millions)	2013	2012	2011
Revenues from external customers	$12,018.1	$11,029.6	$10,943.0
Segment earnings (1)	576.9	661.7	703.7
Depreciation and amortization	181.3	152.6	146.5
Capital expenditures	288.5	290.7	184.0
Total assets	4,640.0	4,341.9	3,697.9

(1) As discussed in Note 2, “Summary of Significant Accounting Policies — Segment Reporting,” segment earnings represents pretax income before equity in net income of affiliates, interest expense and other expense.

Competition

We are one of only two primary independent suppliers with global scale and the capability to design, develop, manufacture and deliver complete seat systems and components in every major automotive producing market in the world. Based on independent market studies and management estimates, we believe that we hold a #2 position globally on the basis of revenue with strong positions in all major markets. We estimate the global seat systems market at more than $55 billion in 2013. We believe that we are also among the leading suppliers of various components produced for complete seat systems.

Our primary independent competitor in this segment globally is Johnson Controls, Inc. Other competitors in this segment include Faurecia S.A., Toyota Boshoku Corporation, TS Tech Co., Ltd. and Magna International Inc., which have varying market presence depending on the region, country or automotive manufacturer. Peugeot S.A., Toyota Motor Corporation and Honda Motor Co. Ltd. hold equity ownership positions in Faurecia S.A., Toyota Boshoku Corporation and TS Tech Co., Ltd., respectively. Other automotive manufacturers maintain a presence in the seat systems market through wholly owned subsidiaries or in-house operations. In seat components, we compete with the seat systems suppliers identified above, as well as certain suppliers that specialize in particular components.

Technology

We maintain state-of-the-art testing, instrumentation and data analysis capabilities. We own industry-leading seat validation test centers featuring crashworthiness, durability and full acoustic and sound quality testing capabilities. Together with computer-controlled data acquisition and analysis capabilities, these centers provide precisely controlled laboratory conditions for sophisticated testing of parts, materials and systems.

In addition, we incorporate many convenience, comfort and safety features into our designs, including advanced whiplash prevention concepts, integrated restraint seat systems and side impact airbags. We also invest in our computer-aided engineering design and computer-aided manufacturing systems. Recent enhancements to these systems include advanced acoustic analysis capabilities and the enhancement of our research and design website, which is used for global customer telecommunications, technology communications, collaboration and the direct exchange of digital information.

For additional factors that may impact our seating segment's business, financial condition, operating results and/or cash flows, see Item 1A, "Risk Factors."

Electrical Segment

The electrical segment consists of the design, manufacture, assembly and supply of electrical distribution systems and components for traditional powertrain vehicles, as well as for hybrid and electric vehicles. The increasing consumer demand for additional features and functionality and the need for improved fuel efficiency are driving an increase in vehicle electrical content. We expect these trends to continue as demand for vehicle connectivity increases.

As the number of electrical features and electronically controlled functions on a vehicle increases, the complexity and need to improve the efficiency of the vehicle's electrical architecture also increase. We are able to provide our customers with design and engineering solutions involving manufactured systems, modules and components that optimally integrate a vehicle's entire electrical distribution system, consisting of wiring, terminals and connectors, junction boxes and electronic modules. This integration can reduce the overall system cost and weight by reducing the number of wires, terminals and connectors and modules normally required to manage electrical power and signal distribution within a vehicle. For example, our Solid State Smart Junction Box™ enables increased functionality, while delivering up to a 70% reduction in packaging size and weight and up to a 35% reduction in wire gauge due to increased circuit protection reliability. To achieve these results, our Solid State Junction Box™ integrates advancements in terminal and connector technology, junction box and electronic control module capability and complete electrical distribution system expertise.

We have focused and aligned our product offerings to provide the complete electrical distribution system of the vehicle. Our electrical product offering spans four product areas: wire harnesses, terminals and connectors, junction boxes and electronic control modules and advanced efficiency systems. We have substantially exited non-core product lines, such as switches, tire pressure monitoring systems and certain other electronic products.

Electrical distribution systems are networks of wiring and associated control devices that route electrical signals and manage electrical power within a vehicle. Electrical distribution systems are comprised primarily of wire harness assemblies and terminals and connectors that connect various control modules, junction boxes and electrically powered features within the vehicle. Wire harness assemblies are a collection of wiring and terminals and connectors that link all of the various electrical and electronic devices within the vehicle to each other and/or to a power source. Junction boxes are centrally located modules within the vehicle that contain fuses and/or relays for circuit and device protection and serve as a connection point for multiple wire harnesses.

Wire harness assemblies are a collection of individual circuits fabricated from raw and insulated wire, which is automatically cut to length and terminated during the manufacturing process. Individual circuits are assembled together on a jig or table, inserted into connectors and wrapped or taped to form wire harness assemblies. The assembly process is labor intensive, and as a result, production is generally performed in low-cost labor sites in Mexico, Honduras, Eastern Europe, Africa, China, the Philippines, Brazil and Thailand. Terminals and connectors are currently manufactured in Germany, China, Eastern Europe and the United States. Substantially all of the materials that we use to manufacture wire harness assemblies are purchased from suppliers, with the exception of certain terminals and connectors and heavy-trace printed circuit boards that are produced internally. The majority of our copper purchases are comprised of extruded wire that is integrated into electrical wire harnesses and are generally subject to price index agreements with our customers. Certain materials, particularly certain specialized electronic components, are available from a limited number of suppliers.

We also manufacture junction boxes and electronic control modules, which are connected to the wire harness assemblies. Junction boxes are manufactured in Mexico, Northern Africa, Europe, China and the Philippines with a proprietary, capital-intensive assembly process using printed circuit boards, a portion of which are purchased from third-party suppliers. Proprietary features have been developed to improve the function of these junction boxes in harsh environments, including high temperatures and humidity. Electronic control modules control various electronic functions within the vehicle. These modules either consolidate multiple functions into a single module or focus on a specific function, such as the door zone control module, which controls features such as window lift, door lock and power mirrors. We assemble these modules using high-speed surface mount placement equipment in Mexico, China, the Philippines, Morocco, Spain and Germany.

As electronic control modules are increasingly centralized and integrated, we have developed “smart junction boxes,” which are junction boxes augmented with integrated electronic functionality that otherwise would be contained in other body control modules. The integration of functionality in our smart junction boxes eliminates interconnections, increases overall system reliability and can reduce the number of electronic modules within the vehicle. This can lead to reduced weight, cost and complexity.

We also manage electronic signals through our wireless products, which send and receive signals using radio frequency technology. Our wireless systems include passive entry systems, remote keyless entry and dual range/dual function remote keyless entry 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. We have also recently launched 2-way remote keyless entry systems that enable the vehicle to provide information to the user, such as verification that the doors have locked or that the engine has started, as well as other operational information.

Our product offerings also include lighting control modules, which provide the electronic control logic and diagnostics for increasingly advanced and complex vehicle lighting systems. We supply LED lighting control systems for vehicle interiors and exteriors. The audio segment includes amplifiers and complete vehicle sound system development capability.

The complexity of traditional electrical distribution systems is also being affected by the emergence and continued development of alternative energy powertrains, including electric, hybrid electric and other technologies, which is driving growth in high-power electrical systems and components. Hybrid and electric vehicles offer a significant content opportunity with the potential to more than double the electrical content per vehicle. For example, stricter fuel economy and emission standards are driving demand for increased signal management in both traditional combustion engines and alternative energy powertrains.

Our Advanced Efficiency Systems Global Center of Excellence, in Southfield, Michigan, supports growth opportunities globally in the hybrid and electric vehicle market and is dedicated to the development of high-power and hybrid electrical systems and components, including wiring, terminals and connectors and power electronics. A high power application center with full development capabilities is also located in Valls, Spain. We are supplying, or will supply, high voltage wire harnesses, battery monitoring systems, high voltage terminals and connectors, battery chargers, DC/DC converters and traction inverters for new models from Daimler, Renault-Nissan, General Motors (including the Chevrolet Volt and Cadillac ELR extended range electric vehicles), BMW, Jaguar Land Rover and Fiat Chrysler. We believe that our expertise in high power electrical distribution systems will provide additional growth opportunities going forward.

Financial Summary

A summary of revenues from external customers and other financial information for our electrical segment is shown below. For additional information regarding the operating results of our electrical segment, see Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations.” For additional information regarding Lear’s total sales and long-lived assets by geographic area, as well as customer concentrations, see Note 12, “Segment Reporting,” to the consolidated financial statements included in this Report. The top five customers of this segment are: Ford, General Motors, Jaguar Land Rover, BMW and Renault-Nissan.

(In millions)	2013	2012	2011
Revenues from external customers	$4,215.9	$3,537.4	$3,213.5
Segment earnings (1)	414.3	254.9	185.1
Depreciation and amortization	96.4	78.4	92.3
Capital expenditures	163.4	158.1	139.4
Total assets	1,658.3	1,432.2	1,255.0

(1) As discussed in Note 2, “Summary of Significant Accounting Policies — Segment Reporting,” segment earnings represents pretax income before equity in net income of affiliates, interest expense and other expense.

Competition

We estimate the global target market for our electrical business to be approximately $65 billion. We are one of only four suppliers with complete electrical distribution and manufacturing capabilities for both traditional and high-power systems and related electronic components in every major automotive producing market in the world. Our major competitors in this segment include Delphi Automotive PLC, Sumitomo Corporation and Yazaki Corporation.

Technology

The electrical segment is technology driven and typically requires higher investment as a percentage of sales than our seating segment. Electrical technology spans each of our four product areas: wire harnesses, terminals and connectors, junction boxes and electronic control modules and advanced efficiency systems. We are able to supply complete electrical distribution systems across our entire product offering by leveraging the expertise in each of these four product areas. Our complete electrical distribution system design capabilities, coupled with certain market-leading component technologies, allow access to our customers’ development teams, which provides an early indication of our customers’ product needs and enables us to develop system design efficiencies. Our expertise is developed and delivered by over 1,900 engineers across fourteen countries and is led by four global technology centers of excellence in China, Germany, Spain and the United States for each of our major product lines in this segment, which are described below.

- Wire harnesses – In addition to industry leading capability in the delivery of wire harnesses, our technology includes expertise in the design and use of alternative conductor materials, such as copper clad steel, copper clad aluminum and other hybrid alloys. Alternative conductor materials enable the use of ultra small gauge conductors, which reduce the weight and packaging size of electrical distribution systems. Reductions in weight and size support our customers’ efforts to reduce the overall weight of the vehicle in order to meet fuel efficiency standards. Our expertise in terminals and connectors technology facilitates our ability to implement these ultra small gauge conductors.

- Terminals and connectors – We provide a broad set of terminals and connectors to the market and are developing advanced capabilities in aluminum terminals and aluminum wire termination, ultra small gauge termination and high voltage terminals and connectors. Our high voltage terminals and connectors are a part of our advanced efficiency systems capabilities, and here, we have established a leading capability in power density (power per packaging size).

  Our expertise in terminals and connectors has also directly contributed to our smart junction box technology, specifically the development of surface mount connectors that reduce package size and weight through integrated thermal management.

- Junction boxes and electronic control modules – We are a leader in smart junction boxes, and in 2012, we received an Automotive News PACE Award for our Solid State Smart Junction Box™, recognizing our industry leading technology in this critical component. We continue to refine our solid state smart junction box technology, which reduces size and weight, enables wire gauge reduction and eliminates fuses by using resettable smart drivers. To further reduce weight and copper usage, we are also developing aluminum printed circuit boards. Importantly, this technology also enables the integration of additional feature content into the smart junction box, providing the potential for a sizable cost reduction for the electrical system.

  Our wireless capability includes expertise in the development of radio frequency systems. We offer world class, industry leading wireless products and are developing higher frequency passive entry systems for improved security and 2-way remote keyless entry systems that enable the vehicle to provide feedback to the consumer, such as verification that the doors have locked or that the engine has started.

Our LED lighting control expertise includes interior and exterior applications. We are developing advanced technology in this area, including a Matrix LED Control System capable of individually dimming and switching on/off up to 100 LEDs. This system will enable steerable light beams and other advanced lighting features and can be paired with driver assistance system sensors to enable other enhancements, such as automatic high beam management and obstacle highlighting.

Additionally, we have developed a number of innovative products and features focused on increasing value to our customers, such as interior function control and premium audio amplifiers.

- Advanced efficiency systems – Increased vehicle efficiency trends and the hybrid and electric vehicle market represent a significant opportunity for the advancement in emerging technology for electrical distribution systems and components. We offer a product portfolio of stand-alone and fully integrated solutions for our customers' existing and future hybrid and electric vehicles. Our systems and components have achieved industry leading efficiency, packaging and reliability. We have over 500 patents and patents pending in our high-power product segment, and our product portfolio includes the following:
  - High-power charging systems for electric and hybrid vehicles, comprised of on-board chargers, a family of charge cord sets and charge receptacles. We are now developing advanced wireless charging systems.
  - High-power distribution systems including high voltage wire harnesses found throughout the vehicle and battery pack, high-power terminals and connectors (designed to carry high amounts of electric current, to be packaged tightly and to provide proper sealing, high-use reliability and ease of use for the consumer) and battery disconnect units, as well as manual service disconnects.
  - Energy management systems including battery monitoring systems, DC/DC converters, traction inverters and our patented integrated power module, which integrates the functionality of charging and energy management for an efficient solution for hybrid and electric vehicles.

For additional factors that may impact our electrical segment's business, financial condition, operating results and/or cash flows, see Item 1A, "Risk Factors."

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 many customer plants close for model year changeovers, in December when many customer plants close for the holidays and during periods of high vehicle inventory. See Note 14, "Quarterly Financial Data," to the consolidated financial statements included in this Report.

Customers

We serve the worldwide automotive and light truck market, which produced approximately 82.6 million vehicles in 2013. We have automotive content on over 300 vehicle nameplates worldwide and serve all of the world's major automotive manufacturers.

In 2013, Ford and General Motors, two of the largest automotive and light truck manufacturers in the world, each accounted for 22% of our net sales. In addition, BMW accounted for approximately 10% of our net sales. We supply and have expertise in all vehicle segments of the automotive market, and it is common to have content on multiple platforms with a single customer. For further information related to our customers and domestic and foreign sales and operations, see Note 12, "Segment Reporting," to the consolidated financial statements included in this Report.

We receive purchase orders from our customers that generally provide for the supply of a customer's annual requirements for a particular vehicle model and assembly plant, or in some cases, for the supply of a customer's requirements for the life of a particular vehicle model, rather than for the purchase of a specified quantity of products. Although most purchase orders may be terminated by our customers at any time, such terminations have been minimal and have not had a material impact on our operating results. We are subject to risks 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. To reduce our reliance on any one vehicle model, we produce automotive systems and components for a broad cross-section of both new and established models. However, larger cars and light trucks, as well as vehicle platforms that offer more features and functionality, such as luxury, sport utility and crossover vehicles, typically have more content and, therefore, tend to have a more significant impact on our operating performance. Our net sales for the year ended December 31, 2013, were comprised of 59% cars and 41% light trucks and consisted of 17% compact, 46% mid-size, 21% full-size/luxury and 16% full frame.

Our customers award business to their suppliers in a number of ways, including the award of complete automotive systems, allowing the suppliers to either manufacture the components themselves or to purchase them from other suppliers at their discretion. Increasingly, certain of our customers are electing to award certain components directly to component suppliers and independent of the complete system award. We have been investing in and expanding our component capacity in low-cost regions in order to maximize our participation in this sourcing trend.

Our agreements with our major customers generally provide for an annual productivity price reduction. Historically, cost reductions through product design changes, increased manufacturing productivity and similar programs with our suppliers have generally offset these customer-imposed price reduction requirements. However, raw material, energy and commodity costs can be volatile. Although we have developed and implemented strategies to mitigate the impact of higher raw material, energy and commodity costs, these strategies, together with commercial negotiations with our customers and suppliers, typically offset only a portion of the adverse impact. In addition, we are exposed to increasing market risk associated with fluctuations in foreign exchange as a result of our low-cost footprint and vertical integration strategies. We use derivative financial instruments to reduce our exposure to fluctuations in foreign exchange rates. For additional information regarding our foreign exchange and commodity price risk, see Part II — Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Financial Condition — Foreign Exchange” and “— Commodity Prices.”

Employees

As of December 31, 2013 and 2012, our employment levels worldwide were approximately as follows:

Region	2013	2012
United States and Canada	9,200	8,700
Mexico	39,700	37,600
Central and South America	13,000	13,300
Europe and Africa	39,600	35,400
Asia	20,800	18,400
Total	122,300	113,400

A substantial number of our employees are members of unions or national trade organizations. We have collective bargaining agreements with several North American unions, including the United Auto Workers, the Canadian Auto Workers, the International Brotherhood of Electrical Workers and Workers United. Each of our unionized facilities in the United States and Canada has a separate collective bargaining agreement with the union that represents the workers at such facility, with each such agreement having an expiration date that is independent of the other agreements. The majority of our employees in Mexico and Europe are members of industrial trade union organizations or 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 adversely affect our financial performance,” and Part II — Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Forward-Looking Statements.”

Technology

Worldwide, we hold many patents and have many patent applications pending. 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.

Advanced technology development is conducted worldwide at our six advanced technology centers and at our product engineering centers. 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 global innovation and technology center located in Southfield, Michigan, develops and integrates new concepts and is our central location for consumer research, benchmarking, craftsmanship and industrial design activity.

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. Advance Relentlessly, Aventino® leather, Guilford TeXstyle™ fabrics, ProTec® or ProTec® PLUS active head restraints and STRUCSURE™ systems are some of the trademarks and service marks used in connection with certain of our product lines and services.

We will continue to dedicate resources to engineering and development. Engineering and development costs incurred in connection with the development of new products and manufacturing methods within one year of launch, to the extent not recoverable from our customers, are charged to cost of sales as incurred. Such costs are charged to selling, general and administrative expenses when incurred more than one year prior to launch. Engineering and development costs charged to selling, general and administrative expenses totaled approximately $108 million, $104 million and $111 million for the years ended December 31, 2013, 2012 and 2011, respectively.

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. For a description of our outstanding environmental matters and other legal proceedings, see Note 11, “Commitments and Contingencies,” to the consolidated financial statements included in this Report.

In addition, our customers are subject to significant environmentally focused state, federal and foreign laws and regulations that regulate vehicle emissions, fuel economy and other matters related to the environmental impact of vehicles. To the extent that such laws and regulations ultimately increase or decrease automotive vehicle production, such laws and regulations would likely impact our business. See Item 1A, “Risk Factors.”

Furthermore, we currently offer products with environmentally friendly features, and our expertise and capabilities are allowing us to expand our product offerings in this area. We will continue to monitor emerging developments in this area.

Joint Ventures and Noncontrolling Interests

We form joint ventures in order to gain entry into new markets, 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, particularly in emerging markets. We also partner with companies having significant local experience in commerce, customs and capacity to reduce our financial risk and enhance our potential for achieving expected financial returns. In some cases, these joint ventures may be located in North America or Europe and used to expand our customer relationships.

As of December 31, 2013, we had 28 operating joint ventures located in ten countries. Of these joint ventures, eleven are consolidated and seventeen are accounted for using the equity method of accounting. Eighteen of the joint ventures operate in Asia, eight operate in North America (including two that are dedicated to serving Asian automotive manufacturers) and two operate in Europe (including one that is dedicated to serving Asian automotive manufacturers). Net sales of our consolidated joint ventures accounted for approximately 11% of our net sales in 2013. As of December 31, 2013, our investments in non-consolidated joint ventures totaled $172 million.

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A summary of our non-consolidated operating joint ventures, including ownership percentages, is shown below. 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.

Country	Name	Ownership Percentage
China	Shanghai Lear STEC Automotive Parts Co., Ltd.	55%
China	Beijing BAI Lear Automotive Systems Co., Ltd.	50
China	Beijing Lear Automotive Electronics and Electrical Products Co., Ltd.	50
China	Jiangxi Jiangling Lear Interior Systems Co., Ltd.	50
China	Lear Dongfeng Automotive Seating Co., Ltd.	50
China	Changchun Lear FAWSN Automotive Electrical and Electronics Co., Ltd.	49
China	Changchun Lear FAWSN Automotive Seat Systems Co., Ltd.	49
China	Beijing Lear Dymos Automotive Systems Co., Ltd.	40
Honduras	Honduras Electrical Distribution Systems S. de R.L. de C.V.	49
India	Dymos Lear Automotive India Private Limited	35
Korea	Dong Kwang Lear Yuhan Hoesa	50
Spain	Industrias Cousin Freres, S.L.	50
United States	Kyungshin-Lear Sales and Engineering LLC	49
United States	Tacle Seating USA, LLC	49
United States	RevoLaze, LLC	20
United States	eLumigen, LLC	15
United States	HB Polymer Company, LLC	10

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 our business identified elsewhere in this Report, the most significant factors affecting our operations include the following:

- ***Our industry is cyclical and a decline in the production levels of our major customers, particularly with respect to models for which we are a significant supplier, could adversely affect our financial performance.***

  Our sales are driven by the number of vehicles produced by the automotive manufacturers, which is ultimately dependent on consumer demand for automotive vehicles, and our content per vehicle. The automotive industry is cyclical and sensitive to general economic conditions, including the global credit markets, interest rates, consumer credit and consumer spending and preferences. Automotive sales and production can also be affected by the age of the vehicle fleet and related scrappage rates, labor relations issues, fuel prices, regulatory requirements, government initiatives, trade agreements, the availability and cost of credit, the availability of critical components needed to complete the production of vehicles, restructuring actions of our customers and suppliers, facility closures, increased competition, changing consumer attitudes toward vehicle ownership and usage and other factors.

  Our ability to reduce the risks inherent in certain concentrations of business, and thereby maintain our financial performance in the future, will depend, in part, on our ability to continue to diversify our sales on a customer, product, platform and geographic basis to reflect the market overall. While we are pursuing a strategy of aggressively expanding our sales and operations in Asia, no assurances can be given as to how successful we will be in doing so. As a result, an economic downturn or other adverse industry conditions that result in a decline in the production levels of our major customers, particularly with respect to models for which we are a significant supplier, could reduce our sales and thereby adversely affect our financial condition, operating results and cash flows.

- ***The loss of business with respect to, or the lack of commercial success of, a vehicle model for which we are a significant supplier could adversely affect our financial performance.***

  Although we receive purchase orders from our customers, these purchase orders generally provide for the supply of a customer's annual requirements for a particular vehicle model and assembly plant, or in some cases, for the supply of a customer's requirements for the life of a particular vehicle model, rather than for the purchase of a specific quantity of products. In addition, it is possible that our customers could elect to manufacture our products internally or increase the extent to which they require us to utilize specific suppliers or materials in the manufacture of our products. The loss of business with respect to, the lack of commercial success of or an increase in directed component sourcing for a vehicle model for which we are a significant supplier could reduce our sales or margins and thereby adversely affect our financial condition, operating results and cash flows.

- ***Our inability to achieve product cost reductions which offset customer-imposed price reductions could adversely affect our financial performance.***

  Downward pricing pressure by automotive manufacturers is a characteristic of the automotive industry. We regularly negotiate contracts and sales prices with our customers. These contracts require us to reduce our prices over the life of a vehicle model and, at the same time, assume significant responsibility for the design, development and engineering of our products. Our financial performance is largely dependent on our ability to achieve product cost reductions through product design enhancement and supply chain management, as well as manufacturing efficiencies and restructuring actions. We also seek to enhance our financial performance by investing in product development, design capabilities and new product initiatives that respond to the needs of our customers and consumers. We continually evaluate operational and strategic alternatives to align our business with the changing needs of our customers and improve our business structure by investing in vertical integration opportunities. Our inability to achieve product cost reductions which offset customer-imposed price reductions could adversely affect our financial condition, operating results and cash flows.

- ***Increases in the costs and restrictions on the availability of raw materials, energy, commodities and product components could adversely affect our financial performance.***

  Raw material, energy and commodity costs can be volatile. Although we have developed and implemented strategies to mitigate the impact of higher raw material, energy and commodity costs, these strategies, together with commercial negotiations with our customers and suppliers, typically offset only a portion of the adverse impact. In addition, the availability of raw materials, commodities and product components fluctuates from time to time due to factors outside of our control. If the costs of raw materials, energy, commodities and product components increase or the availability thereof is restricted, it could adversely affect our financial condition, operating results and cash flows.

- ***Adverse developments affecting or the financial distress of one or more of our suppliers could adversely affect our financial performance.***

  We obtain components and other products and services from numerous Tier 2 automotive suppliers and other vendors throughout the world. We are responsible for managing our supply chain, including suppliers that may be the sole-sources of products that we require, that our customers direct us to use or that have unique capabilities that would make it difficult and/or expensive to re-source. In certain instances, entire industries may experience short-term capacity constraints. Additionally, our production capacity, and that of our customers and suppliers, may be adversely affected by natural disasters. Any such significant disruption could adversely affect our financial performance. Furthermore, unfavorable economic or industry conditions could result in financial distress within our supply base, thereby increasing the risk of supply disruption. Although market conditions generally have improved in recent years, uncertainty remains and another economic downturn or other unfavorable industry conditions in one or more of the regions in which we operate could cause a supply disruption and thereby adversely affect our financial condition, operating results and cash flows.

- ***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 the U.S. dollar. We have substantial manufacturing and distribution facilities in many foreign countries, including Mexico and countries in Africa, Asia, Central and South America and Europe. International operations are subject to certain risks inherent in doing business abroad, including:

  - exposure to local economic conditions;
  - political, economic and civil instability and uncertainty (including acts of terrorism, civil unrest, drug-cartel related and other forms of violence and outbreaks of war);
  - labor unrest;
  - expropriation and nationalization;
  - currency exchange rate fluctuations and currency controls;
  - withholding and other taxes on remittances and other payments by subsidiaries;
  - investment restrictions or requirements;
  - repatriation restrictions or requirements;
  - export and import restrictions and increases in duties and tariffs;
  - increases in working capital requirements related to long supply chains; and
  - global sovereign fiscal matters and creditworthiness, including potential defaults and the related impacts on economic activity, including the possible effects on credit markets, currency values, monetary unions, international treaties and fiscal policies.

Expanding our sales and operations in Asia and our manufacturing operations in lower-cost regions are important elements of our strategy. As a result, our exposure to the risks described above is substantial. The likelihood of such occurrences and their potential effect on us vary from country to country and are unpredictable. However, any such occurrences could adversely affect our financial condition, operating results and cash flows.

- ***Certain of our operations are conducted through joint ventures which have unique risks.***

  Certain of our operations, particularly in emerging markets, are conducted through joint ventures. With respect to our joint ventures, we may share ownership and management responsibilities with one or more partners that may not share our goals and objectives. Operating a joint venture requires us to operate the business pursuant to the terms of the agreement that we entered into with our partners, including additional organizational formalities, as well as to share information and decision making. Additional risks associated with joint ventures include one or more partners failing to satisfy contractual obligations, conflicts arising between us and any of our partners, a change in the ownership of any of our partners and our limited ability to control compliance with applicable rules and regulations, including the Foreign Corrupt Practices Act and related rules and regulations. Additionally, our ability to sell our interest in a joint venture may be subject to contractual and other limitations. Accordingly, any such occurrences could adversely affect our financial condition, operating results and cash flows.

- ***We operate in a highly competitive industry and efforts by our competitors to gain market share could adversely affect our financial performance.***

  We operate in a highly competitive industry. We and most of our competitors are seeking to expand market share with new and existing customers, including in Asia and other potential high growth regions. Our customers award business based on, among other things, price, quality, service and technology. Our competitors' efforts to grow market share could exert downward pressure on our product pricing and margins. If we are unable to differentiate our products or maintain a low-cost footprint, we may lose market share or be forced to reduce prices, thereby lowering our margins. Any such occurrences could adversely affect our financial condition, operating results and cash flows.

- ***Our inability to effectively manage the timing, quality and costs of new program launches could adversely affect our financial performance.***

  In connection with the award of new business, we obligate ourselves to deliver new products and services that are subject to our customers' timing, performance and quality standards. Additionally, as a Tier 1 supplier, we must effectively coordinate the activities of numerous suppliers in order for the program launches of our products to be successful. Given the complexity of new program launches, we may experience difficulties managing product quality, timeliness and associated costs. In addition, new program launches require a significant ramp up of costs; however, our sales related to these new programs generally are dependent upon the timing and success of our customers' introduction of new vehicles. Our inability to effectively manage the timing, quality and costs of these new program launches could adversely affect our financial condition, operating results and cash flows.

- ***A significant labor dispute involving us or one or more of our customers or suppliers or that could otherwise affect our operations could adversely affect our financial performance.***

  A substantial number of our employees and the employees of our largest customers and suppliers are members of industrial trade unions and are employed under the terms of various labor agreements. We have labor agreements covering approximately 61,000 employees globally. In the United States and Canada, each of our unionized facilities has a separate collective bargaining agreement with the union that represents the workers at such facility, with each such agreement having an expiration date that is independent of the other agreements. Labor agreements covering approximately 87% of our unionized work force, including approximately 28% of our unionized workforce in the United States and Canada, are scheduled to expire during 2014. A labor dispute involving us, any of our customers or suppliers or any other suppliers to our customers or that otherwise affects our operations, or the inability by us, any of our customers or suppliers or any other suppliers to our customers to negotiate, upon the expiration of a labor agreement, an extension of such agreement or a new agreement on satisfactory terms could adversely affect our financial condition, operating results and cash flows.

- ***Our existing indebtedness and the inability to access capital markets could restrict our business activities or our ability to execute our strategic objectives or adversely affect our financial performance.***

  As of December 31, 2013, we had approximately $1.1 billion of outstanding indebtedness, as well as $1.0 billion available for borrowing under our revolving credit facility. The debt instruments governing our indebtedness contain covenants that may restrict our business activities or our ability to execute our strategic objectives, and our failure to comply with these covenants could result in a default under our indebtedness. We also lease certain buildings and equipment under non-cancelable lease agreements with terms exceeding one year, which are accounted for as operating leases. Additionally, any downgrade in the ratings that rating agencies assign to us and our debt may ultimately impact our access to capital markets. Our inability to generate sufficient cash flow to satisfy our debt and lease obligations, to refinance our debt obligations or to access capital markets on commercially reasonable terms could adversely affect our financial condition, operating results and cash flows.

- ***Significant changes in discount rates, the actual return on pension assets and other factors could adversely affect our financial performance.***

  Our earnings may be positively or negatively impacted by the amount of income or expense recorded related to our defined benefit plans. Accounting principles generally accepted in the United States require that income or expense related to the defined benefit plans be calculated at the annual measurement date using actuarial calculations, which reflect certain assumptions. The most significant of these assumptions relate to interest rates, the capital markets and other economic conditions. These assumptions, as well as the actual value of pension assets at the measurement date, will impact the calculation of pension and other postretirement benefit expense for the year. Although pension expense and pension contributions are not directly related, the key economic indicators that affect pension expense also affect the amount of cash that we will contribute to our pension plans. Because interest rates and the values of these pension assets have fluctuated and will continue to fluctuate in response to changing market conditions, pension and other postretirement benefit expense in subsequent periods, the funded status of our pension plans and the future minimum required pension contributions, if any, could adversely affect our financial condition, operating results and cash flows.

- ***Impairment charges relating to our goodwill and long-lived assets could adversely affect our financial performance.***

  We regularly monitor our goodwill and long-lived assets for impairment indicators. In conducting our goodwill impairment testing, we may first perform a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount. If not, no further goodwill impairment testing is required. If it is more likely than not that a reporting unit's fair value is less than its carrying amount, or if we elect not to perform a qualitative assessment of a reporting unit, we then compare the fair value of the reporting unit to the related net book value. If the net book value of a reporting unit exceeds its fair value, an impairment loss is measured and recognized. In conducting our impairment analysis of long-lived assets, we compare the undiscounted cash flows expected to be generated from the long-lived assets to the related net book values. Changes in economic or operating conditions impacting our estimates and assumptions could result in the impairment of our goodwill or long-lived assets. In the event that we determine that our goodwill or long-lived assets are impaired, we may be required to record a significant charge to earnings that could adversely affect our financial condition and operating results.

- ***Our failure to execute our strategic objectives could adversely affect our financial performance.***

  Our financial performance depends, in part, on our ability to successfully execute our strategic objectives. Our corporate strategy involves, among other things, leveraging our global presence and expanding our low-cost footprint, focusing on our core capabilities, investing in vertical integration opportunities and technology and enhancing and diversifying our strong customer relationships through operating performance. Various factors, including the industry environment and the other matters described herein and in Part II — Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," including "— Forward-Looking Statements," could adversely affect our ability to execute our corporate strategy. Our failure to execute our strategic objectives could adversely affect our financial condition, operating results and cash flows. Moreover, there can be no assurances that, even if implemented, our strategic objectives will be successful.

- ***A disruption in our information technology systems could adversely affect our financial performance.***

  We rely on the accuracy, capacity and security of our information technology systems. Despite the security measures that we have implemented, our systems could be breached or damaged by computer viruses, natural or man-made incidents or disasters or unauthorized physical or electronic access. A breach could result in business disruption, theft of our intellectual property, trade secrets or customer information and unauthorized access to personnel information. To the extent that our business is interrupted or data is lost, destroyed or inappropriately used or disclosed, such disruptions could adversely affect our competitive position, relationships with our customers, financial condition, operating results and cash flows. In addition, we may be required to incur significant costs to protect against the damage caused by these disruptions or security breaches in the future.

- ***A significant product liability lawsuit, warranty claim or product recall involving us or one of our major customers could adversely affect our financial performance.***

  In the event that our products fail to perform as expected, whether allegedly due to our fault or that of one of our sub-suppliers, 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 certain of our customers related 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, recalls or other corrective actions involving our products. We carry insurance for certain product liability claims, but such coverage may be limited. We do not maintain insurance for product warranty or recall matters. In addition, we may not be successful in recovering amounts from third parties, including sub-suppliers, in connection with these claims. These types of claims could adversely affect our financial condition, operating results and cash flows.

- ***We are involved from time to time in various legal and regulatory proceedings and claims, which could adversely affect our financial performance.***

  We are involved in various legal and regulatory proceedings and claims 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 customers, suppliers or competitors, intellectual property matters, personal injury claims, environmental matters, tax matters, employment matters and antitrust matters. No assurances can be given that such proceedings and claims will not adversely affect our financial condition, operating results and cash flows.

- ***New laws or regulations or changes in existing laws or regulations could adversely affect our financial performance.***

  We and the automotive industry are subject to a variety of federal, state, local and foreign laws and regulations, including those related to health, safety and environmental matters. Governmental regulations also affect taxes and levies, capital markets, healthcare costs, energy usage, international trade and immigration and other labor issues, all of which may have a direct or indirect effect on our business and the businesses of our customers and suppliers. We cannot predict the substance or impact of pending or future legislation or regulations, or the application thereof. The introduction of new laws or regulations or changes in existing laws or regulations, or the interpretation thereof, could increase the costs of doing business for us or our customers or suppliers or restrict our actions and adversely affect our financial condition, operating results and cash flows.

- ***We are subject to regulation of our international operations that could adversely affect our financial performance.***

  We are subject to many laws governing our international operations, including those that prohibit improper payments to government officials and restrict where we can do business and what information or products we can supply to certain countries, including but not limited to the Foreign Corrupt Practices Act and the U.S. Export Administration Act. Violations of these laws, which are complex and often difficult to interpret and apply, could result in significant criminal penalties or sanctions that could adversely affect our business, financial condition, operating results and cash flows.

- ***We are required to comply with environmental laws and regulations that could cause us to incur significant costs.***

  Our manufacturing facilities are subject to numerous laws and regulations designed to protect the environment, and we expect that additional requirements with respect to environmental matters will be imposed on us in the future.

Material future expenditures may be necessary if compliance standards change or material unknown conditions that require remediation are discovered. Environmental laws could also restrict our ability to expand our facilities or could require us to acquire costly equipment or to incur other significant expenses in connection with our business. If we fail to comply with present and future environmental laws and regulations, we could be subject to future liabilities, which could adversely affect our financial condition, operating results and cash flows.

- ***New regulations related to conflict minerals could adversely impact our business.***

  In August 2012, the Securities and Exchange Commission adopted new regulations related to "conflict minerals," which may complicate our supply chain. These regulations require annual reporting and disclosures for those companies who use conflict minerals mined from the Democratic Republic of Congo and adjoining countries in their products. Initial due diligence efforts were required in 2013, and initial disclosure requirements begin in May 2014. Complying with these requirements could require us to incur significant expenses, including to ascertain the sources of conflict minerals in our products and to modify our processes and products, if required. As such, these requirements could adversely affect the sourcing, supply and pricing of materials in our products.

- ***Developments or assertions by or against us relating to intellectual property rights could adversely affect our financial performance.***

  We own significant intellectual property, including a large number of patents, trademarks, copyrights and trade secrets, and we are involved in numerous licensing arrangements. Our intellectual property plays an important role in maintaining our competitive position in a number of the markets that we serve. Developments or assertions by or against us relating to intellectual property rights could adversely affect our financial condition, operating results and cash flows.

- ***Our U.S. net operating loss, capital loss and tax credit carryforwards could be substantially limited if we experience an ownership change as defined in the Internal Revenue Code.***

  We have significant U.S. net operating loss, capital loss and tax credit carryforwards (collectively, the "Tax Attributes"). Under federal tax laws, we can carry forward and use our Tax Attributes to reduce our future U.S. taxable income and tax liabilities until such Tax Attributes expire in accordance with the Internal Revenue Code of 1986, as amended (the "IRC"). Section 382 and Section 383 of the IRC provide an annual limitation on our ability to utilize our Tax Attributes, as well as certain built-in-losses, against future U.S. taxable income in the event of a change in ownership, as defined under the IRC. We may experience a change in ownership in the future as a result of changes in our stock ownership that are beyond our control, and any such subsequent changes in ownership for purposes of the IRC could further limit our ability to use our Tax Attributes. Accordingly, any such occurrences could adversely affect our financial condition, operating results and cash flows.

ITEM 1B – UNRESOLVED STAFF COMMENTS

None.

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ITEM 2 – PROPERTIES

As of December 31, 2013, our operations were conducted through 226 facilities, some of which are used for multiple purposes, including 88 just-in-time manufacturing facilities, 103 dedicated component manufacturing facilities, 6 sequencing and distribution sites, 23 administrative/technical support facilities and 6 advanced technology centers, in 36 countries. Our corporate headquarters is located in Southfield, Michigan.

Of our 226 total facilities, which include facilities owned or leased by our consolidated subsidiaries, 94 are owned and 132 are leased with expiration dates ranging from 2014 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 Part II — Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Financial Condition.”

SEATING

Argentina
- Escobar, BA
- Ferreyra, CBA

Belgium
- Genk

Brazil
- Betim
- Caçapava
- Camaçari
- Gravatai

Canada
- Ajax, ON
- Kitchener, ON
- Whitby, ON

China
- Changchun
- Changshu
- Chongqing
- Liuzhou
- Nanjing
- Rui’an
- Shanghai
- Shenyang
- Wuhan
- Wuhu

Czech Republic
- Kolin
- Stribro

France
- Cergy
- Feignies
- Guipry
- Troisvilles

Germany
- Besigheim
- Boeblingen
- Bremen
- Eisenach
- Ginsheim-Gustavsburg
- Osnabrück
- Rietberg
- Sindelfingen
- Wackersdorf

Hungary
- Györ
- Mór

Indonesia
- Cikarang

India
- Chakan
- Chennai
- Halol
- Nasik
- Pune

Italy
- Caivano, NA
- Cassino, FR
- Grugliasco, TO
- Melfi, PZ
- Pozzo d’Adda, MI

Malaysia
- Behrang Stesen
- Klang

Mexico
- Aguascalientes, AG
- Cuautlancingo, PU
- Hermosillo, SO
- Juarez, CH
- Mexico City, DF
- Monclova, CO
- Nuevo Casas Grandes, CH

Mexico (continued)
- Panzacola, TL
- Piedras Negras, CO
- Ramos Arizpe, CO
- Saltillo, CO
- San Felipe, GU
- San Luis Potosi, SL
- Silao, GO
- Toluca, MX
- Villa Ahumada, CH

Moldova
- Ungheni

Morocco
- Tangier

Poland
- Legnica
- Jaroslaw
- Tychy

Romania
- Iasi

Russia
- Kaluga
- Nizhny Novgorod
- St. Petersburg

Slovak Republic
- Presov
- Senec

South Africa
- East London
- Port Elizabeth
- Rosslyn

South Korea
- Gyeongju

Spain
- Barcelona
- Epila
- Valdemoro

Thailand
- Bangkok
- Mueang Nakhon Ratchasima
- Rayong
- Samuprakarn

Turkey
- Gemlik

United Kingdom
- Alfreton
- Coventry
- Redditch
- Sunderland

United States
- Arlington, TX
- Brownstown Township, MI
- Columbia City, IN
- Detroit, MI
- Duncan, SC
- Farwell, MI
- Hammond, IN
- Hebron, OH
- Highland Park, MI
- Louisville, KY
- Kenansville, NC
- Mason, MI
- Montgomery, AL
- Morristown, TN
- Pine Grove, PA
- Rochester Hills, MI
- Roscommon, MI
- Selma, AL
- Tuscaloosa, AL
- Wentzville, MO

Vietnam
- Hai Phong City

ELECTRICAL

Argentina
- Pacheco, BA

Brazil
- Navegantes

China
- Chongqing
- Nanjing
- Wuhan
- Yangzhou

Czech Republic
- Vyskov

France
- Hordain
- Sandouville

Germany
- Bersenbrueck
- Kronach
- Saarlouis
- Wismar

Honduras
- Naco

Hungary
- Gödöllö
- Gyöngyös

India
- Pune

Mexico
- Apodaca, NL
- Chihuahua, CH
- Juarez, CH

Morocco
- Kenitra
- Salé Al-Jadida
- Tangier

Philippines
- LapuLapu City

Poland
- Mielec

Romania
- Campulung
- Pitesti

Russia
- Volokolamsk

South Africa
- Port Elizabeth

Spain
- Almussafes
- Valls

Thailand
- Kabin Buri

Tunisia
- Bir El Bey

United States
- Plymouth, IN
- Taylor, MI
- Traverse City, MI

ADMINISTRATIVE/TECHNICAL

Australia
- Flemington

Brazil
- São Paulo

China
- Shanghai

Czech Republic
- Brno
- Pilsen

France
- Vélizy-Villacoublay

Germany
- Boeblingen
- Cologne
- Ginsheim - Gustavsburg
- Remscheid

Germany (continued)
- Schwaig - Oberding
- Wolfsburg

India
- Pune

Italy
- Grugliasco, TO

Japan
- Hiroshima
- Kariya
- Yokohama

Mexico
- Mexico City

Netherlands
- Hilversum

Philippines
- LapuLapu City

Russia
- Tolyatti

Singapore

South Korea
- Seoul

Spain
- Valls

Sweden
- Gothenburg

United Kingdom
- Coventry

United States
- El Paso, TX
- Southfield, MI
- Wilmington, NC

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ITEM 3 – LEGAL PROCEEDINGS

Legal and Environmental Matters

We are involved from time to time in various legal proceedings and claims, including, without limitation, commercial or contractual disputes, product liability claims and environmental and other matters. For a description of risks related to various legal proceedings and claims, see Item 1A, "Risk Factors." For a description of our outstanding material legal proceedings, see Note 11, "Commitments and Contingencies," to the consolidated financial statements included in this Report.

ITEM 4 – MINE SAFETY DISCLOSURES

None.

SUPPLEMENTARY ITEM – EXECUTIVE OFFICERS OF THE COMPANY

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

Name	Age	Position
Shari L. Burgess	55	Vice President, Treasurer and Chief Diversity Officer
Thomas A. DiDonato	55	Senior Vice President, Human Resources
Wendy L. Foss	56	Vice President, Corporate Controller and Chief Accounting Officer
Jay K. Kunkel	54	President, Asia-Pacific Operations
Terrence B. Larkin	59	Executive Vice President, Business Development, General Counsel and Corporate Secretary
Frank C. Orsini	41	Senior Vice President and President, Electrical
Raymond E. Scott	48	Executive Vice President and President, Seating
Matthew J. Simoncini	53	President and Chief Executive Officer
Melvin L. Stephens	58	Senior Vice President, Communications, Facilities and Investor Relations
Jeffrey H. Vanneste	54	Senior Vice President and Chief Financial Officer

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

Shari L. Burgess — Ms. Burgess is the Company's Vice President, Treasurer and Chief Diversity Officer, a position she has held since January 2014. Previously, Ms. Burgess served as the Company's Vice President and Treasurer since August 2002 and in various financial roles since joining the Company in 1992. Prior to joining the Company, Ms. Burgess served as the corporate controller for Victor International Corporation and as an audit manager for Ernst & Young LLP.

Thomas A. DiDonato — Mr. DiDonato is the Company's Senior Vice President, Human Resources, a position he has held since April 2012. Prior to joining the Company, Mr. DiDonato served as Executive Vice President, Human Resources for American Eagle Outfitters, Inc. since 2005, Chief People Officer for H.J. Heinz since 2004 and Senior Vice President, Human Resources for Heinz North America since 2001. Earlier experiences include directing human resources for a $14 billion division of Merck & Co. and heading worldwide staffing for Pepsico. Mr. DiDonato began his career with a General Foods Corporation brand and moved up to manage the personnel at its largest manufacturing facility.

Wendy L. Foss — Ms. Foss is the Company's Vice President, Corporate Controller and Chief Accounting Officer, a position she has held since September 2011. Ms. Foss previously served as the Company's Vice President and Corporate Controller since November 2007, Vice President and Chief Compliance Officer from January 2007 until February 2009, Vice President, Audit Services since September 2007, Vice President, Finance and Administration and Corporate Secretary since May 2007, Vice President, Finance and Administration and Deputy Corporate Secretary since September 2006, Vice President, Accounting since July 2006, Assistant Controller since June 2003 and prior to 2003, in financial management positions for the Company and UT Automotive, Inc. and as an audit manager for Coopers & Lybrand.

Jay K. Kunkel	Mr. Kunkel is the Company's President, Asia-Pacific Operations, a position he has held since June 2013. Prior to joining the Company, Mr. Kunkel served as President Asia and as a Member of the Automotive Management Board for Continental A.G. since December 2007 and initially joined Continental A.G. in February 2005. Prior to joining Continental A.G., Mr. Kunkel served as a Director for SRP International Group Ltd. and held various positions of increasing responsibility at PricewaterhouseCoopers, Visteon, Mitsubishi and Chrysler.
Terrence B. Larkin	Mr. Larkin is the Company's Executive Vice President, Business Development, General Counsel and Corporate Secretary, a position he has held since November 2011. Mr. Larkin previously served as the Company's Senior Vice President, General Counsel and Corporate Secretary since January 2008. Prior to joining the Company, Mr. Larkin was a partner since 1986 of Bodman PLC, a Detroit-based law firm. Mr. Larkin served on the executive committee of Bodman PLC and was the chairman of its business law practice group. Mr. Larkin's practice was focused on general corporate, commercial transactions and mergers and acquisitions.
Frank C. Orsini	Mr. Orsini is the Company's Senior Vice President and President, Electrical, a position he has held since September 2012. Mr. Orsini most recently served as the Company's Vice President and Interim President, Electrical since October 2011. Previously, he served as the Company's Vice President, Operations, Electrical since 2009, Vice President, Sales, Program Management & Manufacturing, Electrical since 2008, Vice President, North America Seating Operations since 2005 and in various other management positions for the Company since 1994.
Raymond E. Scott	Mr. Scott is the Company's Executive Vice President and President, Seating, a position he has held since November 2011. Mr. Scott most recently served as the Company's Senior Vice President and President, Electrical since February 2008. Previously, he served as the Company's Senior Vice President and President, North American Seat Systems Group since August 2006, Senior Vice President and President, North American Customer Group since June 2005, President, European Customer Focused Division since June 2004 and President, General Motors Division since November 2000.
Matthew J. Simoncini	Mr. Simoncini is the Company's President and Chief Executive Officer, a position he has held since September 2011. Mr. Simoncini most recently served as the Company's Senior Vice President and Chief Financial Officer since 2007. Previously, he served as the Company's Senior Vice President, Finance and Chief Accounting Officer since August 2006, Vice President, Global Finance since February 2006, Vice President of Operational Finance since June 2004, Vice President of Finance — Europe since 2001 and prior to 2001, in various senior financial management positions for the Company and UT Automotive, Inc.
Melvin L. Stephens	Mr. Stephens is the Company's Senior Vice President, Communications, Facilities and Investor Relations, a position he has held since April 2012. Mr. Stephens most recently served as the Company's Senior Vice President, Communications, Human Resources and Investor Relations since September 2009. Previously, he served as the Company's Vice President of Corporate Communications and Investor Relations since January 2002. Prior to joining the Company, Mr. Stephens worked for Ford Motor Company and held various leadership positions in finance, business planning, corporate strategy, communications, sales and marketing and investor relations.
Jeffrey H. Vanneste	Mr. Vanneste is the Company's Senior Vice President and Chief Financial Officer, a position he has held since March 2012. Prior to joining the Company, Mr. Vanneste served as Executive Vice President and Chief Financial Officer for International Automotive Components Group ("IAC") since January 2011 and as Chief Financial Officer for IAC North America since March 2007. Prior to joining IAC, Mr. Vanneste worked with the Company in positions of increasing responsibility over 15 plus years including: Vice President of Finance, European Operations, Vice President of Corporate Business Planning and Analysis, Vice President of Finance, Seating and Vice President of Finance for the Ford and GM Divisions. Prior to joining the Company in October 1991, he served as the assistant controller for Champagne-Webber, Inc. and as an audit senior for Coopers & Lybrand.

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PART II

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

Market Information

Our common stock is listed on the New York Stock Exchange under the symbol "LEA."

The high and low sales prices per share of our common stock, based on the daily closing price as reported on the New York Stock Exchange, and the amount of our dividend declarations for 2013 and 2012 are shown below:

2013:	Price Range of Common Stock		Cash Dividend
	High	Low	Per Share
4th Quarter	$83.11	$70.31	$ 0.17
3rd Quarter	73.00	61.19	0.17
2nd Quarter	61.03	50.98	0.17
1st Quarter	56.46	47.14	0.17

2012:	Price Range of Common Stock		Cash Dividend
	High	Low	Per Share
4th Quarter	$46.84	$38.45	$ 0.14
3rd Quarter	42.07	34.81	0.14
2nd Quarter	46.96	37.17	0.14
1st Quarter	47.01	40.73	0.14

Dividends

On February 7, 2014, our Board of Directors declared a quarterly cash dividend of $0.20 per share of common stock, payable on March 20, 2014, to shareholders of record at the close of business on February 28, 2014. In addition, our Board of Directors declared quarterly cash dividends of $0.17 and $0.14 per share of common stock in 2013 and 2012, respectively.

We currently expect to pay quarterly cash dividends in the future, although such payments are at the discretion of our Board of Directors and will depend upon our financial condition, results of operations, capital requirements, alternative uses of capital and other factors that our Board of Directors may consider at its discretion. In addition, our amended and restated credit facility and the indenture governing our senior unsecured notes due 2018 and 2020 place certain limitations on the payment of cash dividends. See Part II — Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Forward-Looking Statements," and Note 6, "Debt," to the consolidated financial statements included in this Report.

Holders of Common Stock

The Transfer Agent and Registrar for our common stock is BNY Mellon, located in New York, New York. On February 5, 2014, there were 187 registered holders of record of our common stock.

For certain information regarding our equity compensation plans, see Part III — Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters — Equity Compensation Plan Information."

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Common Stock Share Repurchase Program

Since the first quarter of 2011, our Board of Directors has authorized $2.25 billion in share repurchases under our common stock share repurchase program. In April 2013, we entered into an accelerated stock repurchase ("ASR") agreement to repurchase $800 million of our common stock. The ASR transaction is expected to be completed no later than March 2014. Including the ASR transaction, we have completed $1.5 billion in share repurchases and have a remaining repurchase authorization of $750 million under our common stock share repurchase program, which will terminate two years after the completion of the ASR transaction.

We may implement our share repurchases through a variety of methods, including open market purchases, accelerated stock repurchase programs and structured repurchase transactions. The extent to which we will repurchase our outstanding common stock and the timing of such repurchases will depend upon our financial condition, prevailing market conditions, alternative uses of capital and other factors. In addition, our amended and restated credit facility and the indenture governing our senior unsecured notes due 2018 and 2020 place certain limitations on the repurchase of common shares. See Part II — Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Forward-Looking Statements," Note 6, "Debt," and Note 9, "Capital Stock and Equity," to the consolidated financial statements included in this Report. A summary of the shares of our common stock repurchased during the fiscal quarter ended December 31, 2013, is shown below:

Period	Total Number of Shares Purchased	Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program (in millions) (1)
September 29, 2013 through October 26, 2013	—	N/A	N/A	$ 750.0 (2)
October 27, 2013 through November 23, 2013	—	N/A	N/A	750.0
November 24, 2013 through December 31, 2013	—	N/A	N/A	750.0
Total	—	N/A	N/A	$ 750.0

(1) Reflects the common stock share repurchase authorization of $750 million referred to above.
(2) Remaining authorization excludes amounts paid under the ASR program in the second quarter of 2013.

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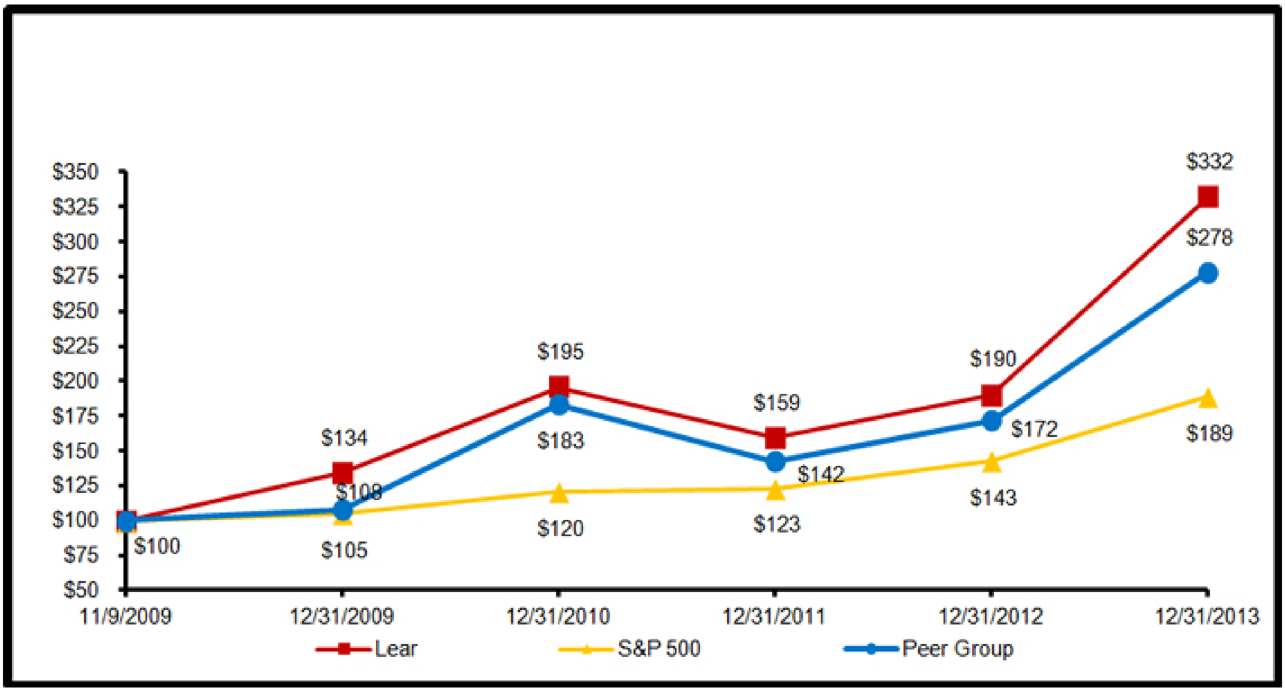
Performance Graph

The following graph compares the cumulative total stockholder return from November 9, 2009, the date of our emergence from Chapter 11 bankruptcy proceedings, through December 31, 2013, for our existing common stock, the S&P 500 Index and peer groups (1) of companies that we have selected for purposes of this comparison. Because the value of our old common stock bears no relation to the value of our existing common stock, the graph below reflects only our existing common stock. We have assumed that dividends have been reinvested, and the returns of each company in the S&P 500 Index and the peer groups have been weighted to reflect relative stock market capitalization. The graph below assumes that $100 was invested on November 9, 2009, in each of our existing common stock, the stocks comprising the S&P 500 Index and the stocks comprising each of the peer groups.



	November 9, 2009	December 31, 2009	December 31, 2010	December 31, 2011	December 31, 2012	December 31, 2013
Lear Corporation	$ 100.00	$ 133.94	$ 195.47	$ 159.30	$ 190.06	$ 332.02
S&P 500	$ 100.00	$ 104.64	$ 120.39	$ 122.93	$ 142.58	$ 188.74
Peer Group (1)	$ 100.00	$ 107.92	$ 183.11	$ 142.17	$ 171.61	$ 278.02

(1) We do not believe that there is a single published industry or line of business index that is appropriate for comparing stockholder returns. As a result, we have selected a peer group comprised of representative independent automotive suppliers whose common stock is publicly traded. Our peer group, referenced in the graph above, consists of American Axle & Manufacturing Holdings Inc., BorgWarner Inc., Dana Holding Corporation, Delphi Automotive PLC, Federal-Mogul Corporation, Gentex Corp., Johnson Controls, Inc., Magna International, Inc., Superior Industries International, Inc., Tenneco Inc., TRW Automotive Holdings Corp. and Visteon Corporation. Delphi Automotive PLC completed an initial public offering in 2011 and has been included in the peer group calculation beginning January 1, 2012. Visteon Corporation emerged from bankruptcy proceedings in 2010 and has been included in the peer group calculation beginning January 1, 2011.

ITEM 6 – SELECTED FINANCIAL DATA

The following statement of operations, statement of cash flows and balance sheet data were derived from our consolidated financial statements. Our consolidated financial statements for the years ended December 31, 2013, 2012, 2011 and 2010, the two month period ended December 31, 2009, and the ten month period ended November 7, 2009, have been audited by Ernst & Young 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.

	Successor					Predecessor
	Year Ended				Two Month Period Ended	Ten Month Period Ended
	December 31, 2013 (1)	December 31, 2012 (2)	December 31, 2011 (3)	December 31, 2010 (4)	December 31, 2009 (5)	November 7, 2009 (6)
Statement of Operations: (in millions)						
Net sales	$ 16,234.0	$ 14,567.0	$ 14,156.5	$ 11,954.6	$ 1,580.9	$ 8,158.7
Gross profit	1,299.7	1,217.5	1,193.2	1,018.3	72.8	287.4
Selling, general and administrative expenses	528.7	479.3	485.6	452.7	71.2	376.7
Amortization of intangible assets	34.4	33.0	28.0	27.2	4.5	4.1
Goodwill impairment charges	—	—	—	—	—	319.0
Interest expense	68.4	49.9	39.7	55.4	11.1	151.4
Other (income) expense, net (7)	58.1	6.4	24.2	34.2	19.8	(16.6)
Reorganization items and fresh-start accounting adjustments, net	—	—	—	—	—	(270.7)
Consolidated income (loss) before provision (benefit) for income taxes and equity in net (income) loss of affiliates	610.1	648.9	615.7	448.8	(33.8)	(276.5)
Provision (benefit) for income taxes	192.7	(638.0)	68.8	24.6	(24.2)	29.2
Equity in net (income) loss of affiliates	(38.4)	(30.3)	(23.5)	(37.2)	(1.9)	64.0
Consolidated net income (loss)	455.8	1,317.2	570.4	461.4	(7.7)	(369.7)
Net income (loss) attributable to noncontrolling interests	24.4	34.4	29.7	23.1	(3.9)	16.2
Net income (loss) attributable to Lear	$ 431.4	$ 1,282.8	$ 540.7	$ 438.3	$ (3.8)	$ (385.9)

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	Successor					Predecessor
	Year Ended				Two Month Period Ended	Ten Month Period Ended
	December 31, 2013 (1)	December 31, 2012 (2)	December 31, 2011 (3)	December 31, 2010 (4)	December 31, 2009 (5)	November 7, 2009 (6)
Statement of Operations Data:						
Basic net income (loss) per share attributable to Lear	$ 5.07	$ 13.04	$ 5.21	$ 4.30	$ (0.06)	$ (4.98)
Diluted net income (loss) per share attributable to Lear	$ 4.99	$ 12.85	$ 5.08	$ 4.05	$ (0.06)	$ (4.98)
Weighted average shares outstanding – basic	85,094,889	98,388,228	103,750,223	94,814,044	69,050,374	77,499,860
Weighted average shares outstanding – diluted	86,415,786	99,825,686	106,344,367	108,122,150	69,050,374	77,499,860
Dividends per share	$ 0.68	$ 0.56	$ 0.50	$ —	$ —	$ —
Statement of Cash Flows Data: (in millions)						
Cash flows from operating activities	$ 820.1	$ 729.8	$ 790.3	$ 621.9	$ 324.0	$ (499.2)
Cash flows from investing activities	(403.9)	(687.9)	(303.2)	(192.1)	(39.5)	(52.7)
Cash flows from financing activities	(698.5)	(396.1)	(372.3)	(320.7)	30.2	165.0
Capital expenditures	460.6	458.3	329.5	193.3	41.3	77.5
Other Data (unaudited):						
Ratio of earnings to fixed charges (8)	6.8x	8.7x	10.1x	6.6x	—	—

As of or Year Ended	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009
Balance Sheet Data: (in millions)					
Current assets	$ 4,922.5	$ 4,873.5	$ 4,761.5	$ 4,385.5	$ 3,787.0
Total assets	8,330.9	8,194.1	7,010.9	6,621.1	6,073.3
Current liabilities	3,579.1	3,216.9	3,063.5	2,818.5	2,400.8
Long-term debt	1,057.1	626.3	695.4	694.9	927.1
Equity	3,149.5	3,612.2	2,561.1	2,568.8	2,181.8
Other Data (unaudited):					
Employees at year end	122,300	113,400	97,830	83,393	70,397
North American content per vehicle (9)	$ 377	$ 370	$ 381	$ 339	$ 344
North American vehicle production (in millions) (10)	16.2	15.4	13.1	11.9	8.6
European content per vehicle (11)	$ 317	$ 283	$ 317	$ 284	$ 294
European vehicle production (in millions) (12)	19.7	19.6	20.4	19.3	16.6

(1) Results include $83.8 million of restructuring and related manufacturing inefficiency charges (including $9.2 million of fixed asset impairment charges), $3.0 million of costs related to a proxy contest, $7.3 million of losses and incremental costs, related to the destruction of assets caused by a fire at one of our European production facilities, $3.6 million loss on the partial extinguishment of debt and $27.8 million of net tax benefits primarily related to restructuring, net changes in valuation allowances with respect to the deferred tax assets of certain foreign subsidiaries, the retroactive reinstatement of the U.S. research and development tax credit by the American Taxpayer Relief Act of 2012, which was signed into law on January 2, 2013, and various other items.

(2) Results include $55.6 million of restructuring and related manufacturing inefficiency charges (including $6.0 million of fixed asset impairment charges), $6.2 million of transaction costs, primarily related to advisory services for the acquisition of Guilford Mills, $10.1 million of fees and expenses related to our capital restructuring and other related matters, ($41.1) million of insurance recoveries, net of losses and incremental costs, related to the destruction of assets caused by a fire at one of our European production facilities, $5.1 million of gains related to affiliates, a $3.7 million loss on the partial extinguishment of debt and $764.4 million of net tax benefits primarily related to the reversal of a valuation allowance on our deferred tax assets in the United States, as well as changes in valuation allowances in certain foreign countries, reductions in tax reserves due to audit settlements and various other items.

(3) Results include $70.9 million of restructuring and related manufacturing inefficiency charges (including $1.0 million of fixed asset impairment charges), $19.3 million of fees and expenses related to our capital restructuring and other related matters, $10.6 million of losses and incremental costs, net of insurance recoveries, related to the destruction of assets caused by a fire at one of our European production facilities, $5.8 million of gains related to affiliate transactions and $70.4 million of tax benefits primarily related to the reversal of full valuation allowances on the deferred tax assets of three foreign subsidiaries, as well as restructuring and various other items.

(4) Results include $69.0 million of restructuring and related manufacturing inefficiency charges (including $3.6 million of fixed asset impairment charges), $21.7 million of fees and expenses related to our capital restructuring and other related matters, an $11.8 million loss on the extinguishment of debt resulting from the write-off of unamortized debt issuance costs and $51.6 million of tax benefits related to reductions in recorded tax reserves and various other items.

(5) Results include $44.5 million of restructuring and related manufacturing inefficiency charges, a $1.9 million loss related to a transaction with an affiliate, $15.1 million of charges as a result of the bankruptcy proceedings and the application of fresh-start accounting and a $27.6 million tax benefit primarily related to the settlement of a tax matter in a foreign jurisdiction.

(6) Results include $319.0 million of goodwill impairment charges, a gain of $270.7 million related to reorganization items and fresh-start accounting adjustments, $23.9 million of fees and expenses related to our capital restructuring, $115.5 million of restructuring and related manufacturing inefficiency charges (including $5.6 million of fixed asset impairment charges), $42.0 million of impairment charges related to our investments in two equity affiliates, a $9.9 million loss related to a transaction with an affiliate and a $23.1 million tax benefit related to reorganization items and fresh-start accounting adjustments.

(7) Includes non-income related taxes, foreign exchange gains and losses, discounts and expenses associated with our asset-backed securitization and factoring facilities, gains and losses related to certain derivative instruments and hedging activities, gains and losses on the extinguishment of debt, gains and losses on the disposal of fixed assets and other miscellaneous income and expense.

(8) “Fixed charges” consist of interest on debt, amortization of deferred financing fees and that portion of rental expenses representative of interest. “Earnings” consist of consolidated income (loss) before provision (benefit) for income taxes and equity in the undistributed net (income) loss of affiliates and fixed charges. Earnings in the two month period ended December 31, 2009, and the ten month period ended November 7, 2009, were insufficient to cover fixed charges by $33.2 million and $271.8 million, respectively. Accordingly, such ratio is not presented for these periods.

(9) “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 2012 has been updated to reflect actual production levels.

(10) “North American vehicle production” includes car and light truck production for vehicle weights up to 3.5 tons in the United States, Canada and Mexico as provided by IHS Automotive for 2013, 2012 and 2011 and Ward’s Automotive for all other periods presented. Production data for 2012 has been updated to reflect actual production levels.

(11) “European content per vehicle” is our net sales in Europe and Africa divided by estimated total European and African vehicle production. Content per vehicle data excludes business conducted through non-consolidated joint ventures. Content per vehicle data for 2012 has been updated to reflect actual production levels.

(12) “European vehicle production” includes car and light truck production for vehicle weights up to 3.5 tons in Austria, Belarus, Belgium, Bosnia, Bulgaria, Czech Republic, Finland, France, Germany, Hungary, Italy, Morocco, Netherlands, Norway, Poland, Portugal, Romania, Russia, Serbia, Slovakia, Slovenia, South Africa, Spain, Sweden, Turkey, Ukraine and the United Kingdom as provided by IHS Automotive. Production data for 2012 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 are a leading Tier 1 supplier to the global automotive industry. We supply seating and electrical distribution systems and related components to virtually every major automotive manufacturer in the world.

Our seating business consists of the design, engineering, just-in-time assembly and delivery of complete seat systems, as well as the manufacture of all major seat components, including seat structures and mechanisms, seat covers, seat foam and headrests. Our electrical business consists of the design, engineering and manufacturing of complete electrical distribution systems that route electrical signals and manage electrical power within a vehicle for both traditional powertrain vehicles, as well as high-power for hybrid and electric vehicles. Key components of our electrical business include wiring harnesses, terminals and connectors, junction boxes, electronic control modules and wireless control devices.

Our core capabilities are shared across component categories in both of our businesses, including high-precision manufacturing and assembly with short lead times, supply chain management, global engineering and program management skills and a unique customer-focused culture. Our seating and electrical businesses both utilize proprietary, industry-specific processes and standards, leverage common low-cost engineering centers and share support from certain operating functions, such as logistics management, health and safety and purchasing, as well as all major administrative functions. Major automotive manufacturers are the primary customers of both our seating and electrical businesses. As a result, both businesses benefit from synergies in cross-selling their respective products and managing global customer relationships.

Our strategy is to achieve profitable growth, balancing risk and returns. Key elements of this strategy include profitable growth and diversification of our sales globally and by customer and vehicle type, the continued expansion of our component capability in emerging and low-cost markets and the pursuit of complementary acquisitions to strengthen and grow both of our business segments, while maintaining a strong balance sheet with investment grade credit metrics and consistently returning cash to shareholders.

Industry Overview

Our sales are driven by the number of vehicles produced by the automotive manufacturers, which is ultimately dependent on consumer demand for automotive vehicles, and our content per vehicle. Automotive sales and production can be affected by the age of the vehicle fleet and related scrappage rates, labor relations issues, fuel prices, regulatory requirements, government initiatives, trade agreements, the availability and cost of credit, the availability of critical components needed to complete the production of vehicles, restructuring actions of our customers and suppliers, facility closures, increased competition, changing consumer attitudes toward vehicle ownership and usage and other factors. Our operating results are also significantly impacted by the overall commercial success of the vehicle platforms for which we supply particular products, as well as the profitability of the products that we supply for these platforms. In addition, it is possible that our customers could elect to manufacture our products internally. The 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 adversely affect our operating results. In addition, larger cars and light trucks, as well as vehicle platforms that offer more features and functionality, such as luxury, sport utility and crossover vehicles, typically have more content and, therefore, tend to have a more significant impact on our operating results.

In 2012 and 2013, global automotive industry production volumes improved significantly, up 7% in 2012 from the prior year and another 4% in 2013 to a record 82.6 million units. North American industry production increased 18% in 2012 from the prior year and another 5% in 2013 to 16.2 million units. European and African industry production remains below historical levels, declining 4% in 2012 from the prior year and increasing 1% in 2013 to 19.7 million units. Asian industry production increased 11% in 2012 from the prior year and another 5% in 2013 to 41.4 million units.

Sales in Europe (including Africa) and North America each accounted for approximately 38% (or 76% combined) of our net sales in 2013. Our ability to reduce the risks inherent in certain concentrations of business, and thereby maintain our financial performance in the future, will depend, in part, on our ability to continue to diversify our sales on a customer, product, platform and geographic basis to reflect the market overall.

Our customers typically require us to reduce our prices over the life of a vehicle model and, at the same time, assume significant responsibility for the design, development and engineering of our products. Our financial performance is largely dependent on our ability to achieve product cost reductions through product design enhancement and supply chain management, as well as manufacturing efficiencies and restructuring actions. We also seek to enhance our financial performance by investing in product development, design capabilities and new product initiatives that respond to the needs of our customers and consumers. We continually evaluate operational and strategic alternatives to align our business with the changing needs of our customers and improve our business structure by investing in vertical integration opportunities.

Our material cost as a percentage of net sales was 67.2% in 2013, as compared to 67.8% in 2012 and 68.6% in 2011. Raw material, energy and commodity costs can be volatile. We have developed and implemented strategies to mitigate the impact of higher raw material, energy and commodity costs, such as the selective in-sourcing of components, the continued consolidation of our supply base, longer-term purchase commitments, financial hedges for certain commodities and the selective expansion of low-cost country sourcing and engineering, as well as value engineering and product benchmarking. However, these strategies, together with commercial negotiations with our customers and suppliers, typically offset only a portion of the adverse impact. In addition, the availability of raw materials, commodities and product components fluctuates from time to time due to factors outside of our control. If these costs increase or availability is restricted, it could have an adverse impact on our operating results in the foreseeable future. See Part I — Item 1A, "Risk Factors — Increases in the costs and restrictions on the availability of raw materials, energy, commodities and product components could adversely affect our financial performance," and "— Forward-Looking Statements."

Financial Measures

In evaluating our financial condition and operating performance, we focus primarily on earnings, operating margins, cash flows and return on invested capital. In addition to maintaining and expanding our business with our existing customers in our more established markets, our expansion plans are focused primarily on emerging markets. Asia, in particular, continues to present significant growth opportunities, as major global automotive manufacturers implement production expansion plans and local automotive manufacturers aggressively expand their operations to meet demand in this region. We currently have eighteen joint ventures with operations in Asia, as well as three joint ventures in North America and Europe dedicated to serving Asian automotive manufacturers. In addition, we have aggressively pursued this strategy by selectively increasing our vertical integration capabilities globally, as well as expanding our component manufacturing capacity in Africa, Asia, Eastern Europe, Mexico and South America. Furthermore, we have expanded our low-cost engineering capabilities in India and the Philippines.

Our success in generating cash flow will depend, in part, on our ability to manage working capital effectively. Working capital can be significantly impacted by the timing of cash flows from sales and purchases. Historically, we have generally been successful in aligning our vendor payment terms with our customer payment terms. However, our ability to continue to do so may be impacted by adverse automotive industry conditions, changes to our customers' payment terms and the financial results of our suppliers, as well as our financial results. In addition, our cash flow is impacted by our ability to manage our inventory and capital spending effectively. We utilize return on invested capital as a measure of the efficiency with which assets are deployed to increase our earnings. Improvements in our return on invested capital will depend on our ability to maintain an appropriate asset base for our business and to increase productivity and operating efficiency.

Operational Restructuring

In 2013, we incurred pretax restructuring costs of approximately $78 million and related manufacturing inefficiency charges of approximately $6 million. Any future restructuring actions will depend upon market conditions, customer actions and other factors.

For further information, see Note 4, "Restructuring," to the consolidated financial statements included in this Report.

Financing Transactions

<u>Senior Notes</u>

In January 2013, we issued $500 million in aggregate principal amount of 4.75% senior notes due 2023. For further information, see "— Liquidity and Financial Condition — Capitalization — Senior Notes" and Note 6, "Debt," to the consolidated financial statements included in this Report.

In March 2013, we paid $72 million to redeem 10% of the original aggregate principal amount of our outstanding senior notes due 2018 and 2020. In connection with this transaction, we recognized a loss of approximately $4 million on the partial extinguishment of debt.

Revolving Credit Facility

In January 2013, we amended and restated our revolving credit facility to, among other things, increase our borrowing capacity from $500 million to $1.0 billion, extend the maturity date to January 2018 and reduce interest rates payable on outstanding borrowings under the facility. For further information, see "— Liquidity and Financial Condition — Capitalization — Revolving Credit Facility" and Note 6, "Debt," to the consolidated financial statements included in this Report.

Share Repurchase Program and Quarterly Cash Dividend

Since the first quarter of 2011, our Board of Directors has authorized $2.25 billion in share repurchases under our common stock share repurchase program. On April 25, 2013, we entered into an accelerated stock repurchase ("ASR") agreement to repurchase $800 million of our common stock. The ASR transaction is expected to be completed no later than March 2014. Including the ASR transaction, we have completed $1.5 billion in share repurchases and have a remaining repurchase authorization of $750 million under our common stock share repurchase program, which will terminate two years after the completion of the ASR transaction.

In February, May, August and November 2013, our Board of Directors declared a quarterly cash dividend of $0.17 per share of common stock.

For further information regarding our common stock share repurchase program, the ASR program and our quarterly dividends, see Item 5, "Market for the Company's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities," "— Liquidity and Financial Condition — Capitalization" and Note 9, "Capital Stock and Equity," to the consolidated financial statements included in this Report.

Other Matters

We incurred losses and incremental costs related to the destruction of assets caused by a fire at one of our European production facilities in the third quarter of 2011. In 2012, we reached a settlement for the recovery of such costs under applicable insurance policies. We recognized losses and incremental costs totaling $7 million, $35 million and $24 million in 2013, 2012 and 2011, respectively. In addition, we recognized loss recoveries and insurance gains totaling $76 million and $13 million in 2012 and 2011, respectively.

In 2013, we incurred costs of $3 million related to a proxy contest.

In 2013, we recognized tax benefits of $30 million primarily related to reductions in valuation allowances with respect to the deferred tax assets of certain foreign subsidiaries and tax expense of $31 million primarily related to increases in valuation allowances in certain other jurisdictions. We also recognized net tax benefits of $26 million related to restructuring and various other items and $3 million related to the retroactive reinstatement of the U.S. research and development tax credit.

In 2012, we completed the acquisition of Guilford Mills ("Guilford"), which manufactures fabrics for the automotive and specialty markets, for approximately $244 million, net of cash acquired. We incurred transaction costs of approximately $6 million, primarily related to advisory services.

In 2012, we recognized income of $17 million related to an affiliate's reversal of a valuation allowance with respect to its deferred tax assets and losses of $12 million related to an affiliate's impairment and restructuring charges.

In 2012, we recognized net tax benefits of $764 million, primarily related to the reversal of a valuation allowance on our deferred tax assets in the United States, as well as changes in valuation allowances in certain foreign countries, reductions in tax reserves due to audit settlements and various other items.

In 2011, we recognized gains of $6 million related to affiliate transactions. In addition, we recognized tax benefits of $70 million, primarily related to the reversal of full valuation allowances on the deferred tax assets of three foreign subsidiaries, restructuring and various other items.

For further information, see Note 2, "Summary of Significant Accounting Policies — Impairment of Investments in Affiliates," Note 5, "Investments in Affiliates and Other Related Party Transactions," Note 6, "Debt," Note 7, "Income Taxes," Note 9, "Capital Stock and Equity," and Note 11, "Commitments and Contingencies," to the consolidated financial statements included in this Report.

As discussed above, our results for the years ended December 31, 2013, 2012 and 2011, reflect the following items (in millions):

For the year ended December 31,	2013	2012	2011
Costs related to restructuring actions, including manufacturing inefficiencies of $6 million in 2013, $1 million in 2012 and $3 million in 2011	$ 84	$ 56	$ 71
Costs related to proxy contest	3	—	—
Acquisition and other related costs	—	6	—
Fees and expenses related to capital restructuring and other related matters	—	10	19
Losses and incremental costs (insurance recoveries), net related to the destruction of assets	7	(41)	11
Labor-related litigation claims	7	—	—
Losses on extinguishment of debt	4	4	—
Gains related to an affiliate	—	(5)	(6)
Tax benefits, net	(28)	(764)	(70)

For further information regarding these items, see Note 4, “Restructuring,” Note 6, “Debt,” Note 7, “Income Taxes,” and Note 11, “Commitments and Contingencies,” 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 regarding these and other factors that have had, or may have in the future, a significant impact on our business, financial condition or results of operations, see Part I — 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,	2013		2012		2011	
Net sales						
Seating	$12,018.1	74.0%	$11,029.6	75.7%	$10,943.0	77.3%
Electrical	4,215.9	26.0	3,537.4	24.3	3,213.5	22.7
Net sales	16,234.0	100.0	14,567.0	100.0	14,156.5	100.0
Cost of sales	14,934.3	92.0	13,349.5	91.6	12,963.3	91.6
Gross profit	1,299.7	8.0	1,217.5	8.4	1,193.2	8.4
Selling, general and administrative expenses	528.7	3.3	479.3	3.3	485.6	3.4
Amortization of intangible assets	34.4	0.2	33.0	0.2	28.0	0.2
Interest expense	68.4	0.4	49.9	0.4	39.7	0.3
Other expense, net	58.1	0.3	6.4	0.1	24.2	0.2
Provision (benefit) for income taxes	192.7	1.2	(638.0)	(4.4)	68.8	0.5
Equity in net income of affiliates	(38.4)	(0.2)	(30.3)	(0.2)	(23.5)	(0.2)
Net income attributable to noncontrolling interests	24.4	0.1	34.4	0.2	29.7	0.2
Net income attributable to Lear	$ 431.4	2.7%	$ 1,282.8	8.8%	$ 540.7	3.8%

Year Ended December 31, 2013, Compared With Year Ended December 31, 2012

Net sales for the year ended December 31, 2013 were $16.2 billion, as compared to $14.6 billion for the year ended December 31, 2012, an increase of $1.7 billion or 11%. New business, improved production volumes on key Lear platforms and the full year impact of the Guilford acquisition positively impacted net sales by $930 million, $541 million and $142 million, respectively.

Cost of sales in 2013 was $14.9 billion, as compared to $13.3 billion in 2012. The increase is primarily due to the impact of new business, improved production volumes on key Lear platforms and the full year impact of the Guilford acquisition, as described in the preceding paragraph.

Gross profit and gross margin were $1.3 billion and 8.0% of net sales in 2013, as compared to $1.2 billion and 8.4% of net sales in 2012. Gross profit and gross margin were positively impacted by $185 million as a result of new business and improved production volumes on key Lear platforms. Gross profit and gross margin also benefited from favorable operating performance and the benefit of operational restructuring actions of $152 million. Selling price reductions and the changeover of key Lear platforms in our seating business negatively impacted gross profit and gross margin by $241 million.

Selling, general and administrative expenses, including engineering and development expenses, were $529 million for the year ended December 31, 2013, as compared to $479 million for the year ended December 31, 2012. Selling, general and administrative expenses increased $25 million due to higher restructuring costs and the full year impact of the Guilford acquisition. Higher compensation related costs, together with infrastructure costs to support the growth of our business in emerging markets, also contributed to the increase between years. As a percentage of net sales, selling, general and administrative expenses were 3.3% in both 2013 and 2012.

Engineering and development costs incurred in connection with the development of new products and manufacturing methods more than one year prior to launch, to the extent not recoverable from the customer, are charged to selling, general and administrative expenses as incurred. Such costs totaled $108 million in 2013, as compared to $104 million in 2012. In certain situations, the reimbursement of pre-production engineering and design costs is contractually guaranteed by, and fully recoverable from, our customers and, therefore, is capitalized. We capitalized $202 million of such costs in both 2013 and 2012.

Amortization of intangible assets was $35 million in 2013, as compared to $33 million in 2012, reflecting the amortization of intangible assets related to the Guilford acquisition.

Interest expense was $68 million in 2013, as compared to $50 million in 2012, primarily reflecting incremental interest of $23 million related to our senior notes due 2023 issued in January 2013, offset by $8 million related to the partial redemption of our senior notes due 2018 and 2020.

Other expense, net, which includes non-income related taxes, foreign exchange gains and losses, gains and losses related to certain derivative instruments and hedging activities, gains and losses on the extinguishment of debt, gains and losses on the disposal of fixed assets and other miscellaneous income and expense, was $58 million in 2013, as compared to $6 million in 2012. In 2013, other expense, net was negatively impacted by increases in foreign exchange losses and non-income related taxes of $15 million and $6 million, respectively. In 2012, we recognized gains of $27 million related to insurance recoveries.

In 2013, the provision for income taxes was $193 million, representing an effective tax rate of 31.6% on pretax income before equity in net income of affiliates of $610 million. In 2012, the benefit for income taxes was $638 million, representing an effective tax rate of (98.3%) on pretax income before equity in net income of affiliates of $649 million, for the reasons described below.

In 2013, we recognized tax benefits of $30 million primarily related to reductions in valuation allowances with respect to the deferred tax assets of certain foreign subsidiaries and tax expense of $31 million primarily related to increases in valuation allowances in certain other jurisdictions. We also recognized net tax benefits of $26 million related to restructuring and various other items and $3 million related to the retroactive reinstatement of the U.S. research and development tax credit by the American Taxpayer Relief Act of 2012, which was signed into law on January 2, 2013. In 2012, we recognized net tax benefits of $764 million, primarily related to the reversal of a valuation allowance on our deferred tax assets in the United States, as well as changes in valuation allowances in certain foreign countries, reductions in tax reserves due to audit settlements and various other items. As a result of the reversal of the valuation allowance on our deferred tax assets in the United States in 2012, the provision for income taxes in 2013 includes U.S. federal income tax expense at a rate of 35% with respect to our earnings in the United States. The benefit for income taxes in 2012 includes no U.S. federal income tax expense with respect to our earnings in the United States. The provision (benefit) for income taxes in 2013 and 2012 was impacted by the level and mix of earnings among tax jurisdictions. The provision (benefit) was also impacted by a portion of our restructuring charges and other expenses, for which no tax benefit was provided as the charges 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. Excluding these items, the effective tax rate in 2013 and 2012 approximated the U.S. federal statutory income tax rate of 35% adjusted for income taxes on foreign earnings, losses and remittances, valuation allowances, tax credits, income tax incentives and other permanent items.

For information related to our valuation allowances, see “Other Matters — Significant Accounting Policies and Critical Accounting Estimates — Income Taxes.”

Equity in net income of affiliates was $38 million for the year ended December 31, 2013, as compared to $30 million for the year ended December 31, 2012. The increase in equity in net income of affiliates in 2013 reflects the improved performance of our equity affiliates. In 2012, we recognized income of $17 million related to our portion of an affiliate's reversal of a valuation allowance with respect to its deferred tax assets and losses of $10 million and $2 million related to our portion of an affiliate's impairment and restructuring charges and the impairment of our investment in an affiliate, respectively.

Net income attributable to Lear was $431 million, or $4.99 per diluted share, in 2013, as compared to $1.3 billion, or $12.85 per diluted share, in 2012. Net income and diluted net income per share decreased primarily due to the reversal of a valuation allowance on our deferred tax assets in the United States in 2012 and for the other reasons described in the preceding paragraphs. In addition, diluted net income per share was impacted by the decrease in average shares outstanding during 2013.

Reportable Operating Segments

We have two reportable operating segments: seating, which includes seats and related components, such as seat structures and mechanisms, seat covers, seat foam and headrests, and electrical, which includes electrical distribution systems for both traditional powertrain vehicles, as well as high-power for hybrid and electric vehicles. Key components of our electrical business include wiring harnesses, terminals and connectors, junction boxes, electronic control modules and wireless control devices. The financial information presented below is for our two reportable operating segments and our other category for the periods presented. The other category includes unallocated costs related to corporate headquarters, regional headquarters and the elimination of intercompany activities, none of which meets the requirements for being classified as an operating segment. Corporate and regional headquarters costs include various support functions, such as information technology, corporate finance, legal, executive administration and human resources. Financial measures regarding each segment's pretax income before equity in net income of affiliates, interest expense and other expense ("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"). Segment earnings and the related margin are used by management to evaluate the performance of our reportable operating segments. Segment earnings should not be considered in isolation or as a substitute for net income attributable to Lear, 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 segment earnings to consolidated income before provision for income taxes and equity in net income of affiliates, see Note 12, "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,	2013	2012
Net sales	$12,018.1	$11,029.6
Segment earnings (1)	576.9	661.7
Margin	4.8%	6.0%

(1) See definition above.

Seating net sales were $12.0 billion for the year ended December 31, 2013, as compared to $11.0 billion for the year ended December 31, 2012, an increase of $989 million or 9%. New business, improved production volumes on key Lear platforms and the full year impact of the Guilford acquisition positively impacted net sales by $421 million, $331 million and $142 million, respectively. Segment earnings, including restructuring costs, and the related margin on net sales were $577 million and 4.8% in 2013, as compared to $662 million and 6.0% in 2012. Segment earnings were negatively impacted by $170 million due to selling price reductions and the changeover of key Lear platforms and $12 million due to higher restructuring costs. These items were partially offset by favorable operating performance and the benefit of operational restructuring actions, improved production volumes on key Lear platforms and the impact of new business of $115 million. In addition, we recognized $7 million of incremental costs in 2013, as compared to $15 million of insurance recoveries, net of related losses and incremental costs, in 2012, related to a fire at a European production facility.

Electrical –

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

For the year ended December 31,	2013	2012
Net sales	$4,215.9	$3,537.4
Segment earnings (1)	414.3	254.9
Margin	9.8%	7.2%

(1) See definition above.

Electrical net sales were $4.2 billion for the year ended December 31, 2013, as compared to $3.5 billion for the year ended December 31, 2012, an increase of $679 million or 19%. New business and improved production volumes on key Lear platforms positively impacted net sales by $509 million and $210 million, respectively. Segment earnings, including restructuring costs, and the related margin on net sales were $414 million and 9.8% in 2013, as compared to $255 million and 7.2% in 2012. Segment earnings were favorably impacted by $111 million as a result of new business and improved production volumes on key Lear platforms. Favorable operating performance of $123 million was partially offset by selling price reductions and higher restructuring costs of $80 million.

Other –

A summary of financial measures for our other category, which is not an operating segment, is shown below (dollar amounts in millions):

For the year ended December 31,	2013	2012
Net sales	$ —	$ —
Segment earnings (1)	(254.6)	(211.4)
Margin	N/A	N/A

(1) See definition above.

Segment earnings related to our other category were ($255) million in 2013, as compared ($211) million in 2012, reflecting higher compensation related costs and infrastructure costs to support the growth of our business in emerging markets.

Year Ended December 31, 2012, Compared With Year Ended December 31, 2011

Net sales for the year ended December 31, 2012 were $14.6 billion, as compared to $14.2 billion for the year ended December 31, 2011, an increase of $411 million or 3%. New business and the acquisition of Guilford positively impacted net sales by $715 million and $197 million, respectively. These increases were partially offset by net foreign exchange rate fluctuations of $553 million.

Cost of sales in 2012 was $13.3 billion, as compared to $13.0 billion in 2011. The increase is primarily due to the impact of new business and the acquisition of Guilford, partially offset by net foreign exchange rate fluctuations, as described in the preceding paragraph.

Gross profit and gross margin were $1.2 billion and 8.4% of net sales in both 2012 and 2011. Gross profit and gross margin were positively impacted by $115 million as a result of new business and the acquisition of Guilford. Gross profit and gross margin also benefited from favorable operating performance and the benefit of operational restructuring actions and lower restructuring costs of $232 million. Selling price reductions, as well as higher product and facility launch costs, primarily in South America, and program development costs to support new business, negatively impacted gross profit and gross margin by $314 million.

Selling, general and administrative expenses, including engineering and development expenses, were $479 million for the year ended December 31, 2012, as compared to $486 million for the year ended December 31, 2011. Selling, general and administrative expenses decreased $22 million due to net foreign exchange rate fluctuations and lower engineering and development costs. These decreases were largely offset by the acquisition of Guilford of $17 million. As a percentage of net sales, selling, general and administrative expenses declined to 3.3% for the year ended December 31, 2012, as compared to 3.4% for the year ended December 31, 2011.

Engineering and development costs incurred in connection with the development of new products and manufacturing methods more than one year prior to launch, to the extent not recoverable from the customer, are charged to selling, general and administrative expenses as incurred. Such costs totaled $104 million in 2012, as compared to $111 million in 2011. In certain situations, the reimbursement of pre-production engineering and design costs is contractually guaranteed by, and fully recoverable from, our customers and, therefore, is capitalized. For the years ended December 31, 2012 and 2011, we capitalized $202 million and $177 million, respectively, of such costs.

Amortization of intangible assets was $33 million in 2012, as compared to $28 million in 2011, reflecting the amortization of intangible assets related to the acquisition of Guilford.

Interest expense was $50 million in 2012, as compared to $40 million in 2011, primarily reflecting the refund of $9 million of interest related to a favorable settlement of an indirect tax matter in a foreign jurisdiction in 2011.

Other expense, net, which includes non-income related taxes, foreign exchange gains and losses, gains and losses related to certain derivative instruments and hedging activities, gains and losses on the extinguishment of debt, gains and losses on the disposal of fixed assets and other miscellaneous income and expense, was $6 million in 2012, as compared to $24 million in 2011. In 2012, we recognized a gain of $27 million related to insurance recoveries and a loss of $4 million related to the redemption of 10% of the original aggregate principal amount of our outstanding senior notes. In 2011, we recognized gains of $6 million related to affiliate transactions.

In 2012, the benefit for income taxes was $638 million, representing an effective tax rate of (98.3%) on pretax income before equity in net income of affiliates of $649 million. In 2011, the provision for income taxes was $69 million, representing an effective tax rate of 11.2% on pretax income before equity in net income of affiliates of $616 million. In 2012, we recognized net tax benefits of $764 million, primarily related to the reversal of a valuation allowance on our deferred tax assets in the United States, as well as changes in valuation allowances in certain foreign countries, reductions in tax reserves due to audit settlements and various other items. In 2011, we recognized tax benefits of $70 million, primarily related to the reversal of full valuation allowances on the deferred tax assets of three foreign subsidiaries, as well as restructuring and various other items. The provision (benefit) for income taxes in 2012 and 2011 was impacted by the level and mix of earnings among tax jurisdictions. The provision (benefit) was also impacted by a portion of our restructuring charges and other expenses, for which no tax benefit was provided as the charges 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. Excluding these items, the effective tax rate in 2012 and 2011 approximated the U.S. federal statutory income tax rate of 35% adjusted for income taxes on foreign earnings, losses and remittances, foreign and U.S. valuation allowances, tax credits, income tax incentives and other permanent items.

Equity in net income of affiliates was $30 million for the year ended December 31, 2012, as compared to $24 million for the year ended December 31, 2011. In 2012, we recognized income of $17 million related to our portion of an affiliate's reversal of a valuation allowance with respect to its deferred tax assets and losses of $10 million and $2 million related to our portion of an affiliate's impairment and restructuring charges and the impairment of our investment in an affiliate, respectively.

Net income attributable to Lear was $1.3 billion, or $12.85 per diluted share, in 2012, as compared to $541 million, or $5.08 per diluted share, in 2011. Net income and diluted net income per share increased for the reasons described in the preceding paragraphs. In addition, diluted net income per share was impacted by the decrease in average shares outstanding during 2012.

Reportable Operating Segments

For a description of our reportable operating segments, see "Year Ended December 31, 2013, Compared with Year Ended December 31, 2012 — Reportable Operating Segments" above.

Seating –

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

For the year ended December 31,	2012	2011
Net sales	$11,029.6	$10,943.0
Segment earnings (1)	661.7	703.7
Margin	6.0%	6.4%

(1) See definition above.

Seating net sales were $11.0 billion for the year ended December 31, 2012, as compared to $10.9 billion for the year ended December 31, 2011, an increase of $87 million or 1%. New business, improved production volumes on key Lear platforms in North America and the acquisition of Guilford positively impacted net sales by $293 million, $241 million and $197 million, respectively. These increases were largely offset by net foreign exchange rate fluctuations and lower production volumes on key Lear platforms in Europe of $407 million and $272 million, respectively. Segment earnings, including restructuring costs, and the related margin on net sales were $662 million and 6.0% in 2012, as compared to $704 million and 6.4% in 2011. Segment earnings were negatively impacted by $261 million due to selling price reductions and lower production volumes on key Lear platforms in Europe, as well as higher product and facility launch costs, primarily in South America, and program development costs to support new business. These items were partially offset by favorable operating performance and the benefit of operational restructuring actions and the impact of new business of $142 million. In 2012, we recognized $15 million of insurance recoveries, net of related losses and incremental costs, as well as costs of $48 million related to our restructuring actions. In 2011, we recognized $13 million of losses and incremental costs, net of related insurance recoveries, as well as costs of $69 million related to our restructuring actions.

Electrical –

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

For the year ended December 31,	2012	2011
Net sales	$3,537.4	$3,213.5
Segment earnings (1)	254.9	185.1
Margin	7.2%	5.8%

(1) See definition above.

Electrical net sales were $3.5 billion for the year ended December 31, 2012, as compared to $3.2 billion for the year ended December 31, 2011, an increase of $324 million or 10%. New business and improved production volumes on key Lear platforms positively impacted net sales by $421 million and $108 million, respectively. These increases were partially offset by net foreign exchange rate fluctuations of $145 million. Segment earnings, including restructuring costs, and the related margin on net sales were $255 million and 7.2% in 2012, as compared to $185 million and 5.8% in 2011. Segment earnings were favorably impacted by $84 million as a result of new business and improved production volumes on key Lear platforms. Selling price reductions and higher product and facility launch costs and program development costs of $109 million were largely offset by favorable operating performance and the benefit of operational restructuring actions of $101 million.

Other –

A summary of financial measures for our other category, which is not an operating segment, is shown below (dollar amounts in millions):

For the year ended December 31,	2012	2011
Net sales	$ —	$ —
Segment earnings (1)	(211.4)	(209.2)
Margin	N/A	N/A

(1) See definition above.

Segment earnings related to our other category were ($211) million in 2012, as compared to ($209) million in 2011.

Liquidity and Financial Condition

Our primary liquidity needs are to fund general business requirements, including working capital requirements, capital expenditures, operational restructuring actions and debt service requirements. In addition, we expect to continue to pay quarterly dividends and repurchase shares of our common stock pursuant to our authorized common stock share repurchase program (see Item 5, “Market for the Company’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities”). Our principal sources of liquidity are cash flows from operating activities, borrowings under available credit facilities and our existing cash balance. 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, royalties, intercompany loan repayments and other distributions and advances from our subsidiaries to provide the funds necessary to meet our obligations. As of December 31, 2013 and 2012, cash and cash equivalents of $792 million and $918 million, respectively, were held in foreign subsidiaries and can be repatriated, primarily through the repayment of intercompany loans, without creating additional income tax expense. 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 “— Adequacy of Liquidity Sources,” below and Note 7, “Income Taxes,” to the consolidated financial statements included in this Report.

Cash Flows

Year Ended December 31, 2013, Compared with Year Ended December 31, 2012

Net cash provided by operating activities was $820 million in 2013, as compared to $730 million in 2012. Consolidated net income, deferred tax provision (benefit) and depreciation and amortization were a source of cash of $787 million and $863 million in 2013 and 2012, respectively, which resulted in an incremental decrease in operating cash flow of $76 million between periods. This decrease was largely offset by the changes in other long-term assets and liabilities and other, net, which resulted in an incremental increase in operating cash flow of $70 million between periods. The net change in recoverable customer engineering, development and tooling was a source of cash of $3 million and a use of cash of $37 million in 2013 and 2012, respectively, resulting in an incremental increase in operating cash flow of $40 million between periods, primarily due to cash received related to previously capitalized amounts. Net changes in working capital items was a use of cash of $8 million and $49 million in 2013 and 2012, respectively, resulting in an incremental increase in operating cash flow of $41 million between periods, reflecting the impact of our sales growth and the timing of payment of accrued liabilities.

In 2013, increases in accounts receivable, inventories and accounts payable resulted in a use of cash of $240 million, a use of cash of $102 million and a source of cash of $190 million, respectively, primarily reflecting the impact of our sales growth. Changes in accrued liabilities and other resulted in a source of cash of $144 million, primarily reflecting the timing of payment of accrued liabilities.

Net cash used in investing activities was $404 million in 2013, as compared to $688 million in 2012. In 2013, we sold our ownership interest in an equity affiliate for $50 million. In 2012, we acquired Guilford for $244 million, net of cash acquired. Capital spending in 2014 is estimated at $450 million.

Net cash used in financing activities was $699 million in 2013, as compared to $396 million in 2012. In 2013, we issued $500 million in aggregate principal amount of senior notes due 2023 and paid $72 million to redeem a portion of our outstanding senior notes due 2018 and 2020. In addition, in 2013, we paid an aggregate of $1 billion to repurchase our common stock, including $200 million of open market repurchases and $800 million of repurchases through an ASR program. In 2012, we repurchased $223 million of our common stock and paid $72 million to redeem a portion of our outstanding senior notes due 2018 and 2020. For further information regarding our 2013 and 2012 financing transactions, see "— Capitalization," below and Note 9, "Capital Stock and Equity," to the consolidated financial statements included in this Report.

Year Ended December 31, 2012, Compared with Year Ended December 31, 2011

Net cash provided by operating activities was $730 million in 2012, as compared to $790 million in 2011. The net change in recoverable customer engineering, development and tooling and working capital items resulted in an incremental decrease in operating cash flow of $68 million between periods.

In 2012, increases in accounts receivable, inventories and accounts payable resulted in a use of cash of $112 million, a use of cash of $60 million and a source of cash of $175 million, respectively, primarily reflecting the impact of our sales backlog.

Net cash used in investing activities was $688 million in 2012, as compared to $303 million in 2011, primarily due to cash paid for the Guilford acquisition of $244 million, net of cash acquired, as well as an increase in capital expenditures of $129 million between periods. The increase in capital spending relates to support of our sales backlog, expansion of our component capabilities and investment in infrastructure in emerging markets.

Net cash used in financing activities was $396 million in 2012, as compared to $372 million in 2011. In 2012, we repurchased $223 million of our common stock and paid $72 million to redeem a portion of our outstanding senior notes due 2018 and 2020. In 2011, common stock repurchases totaled $279 million. For further information regarding our 2012 and 2011 financing transactions, see "— Capitalization" below.

Capitalization

From time to time, we utilize uncommitted credit facilities to fund our capital expenditures and working capital requirements at certain of our foreign subsidiaries, in addition to cash provided by operating activities. As of December 31, 2013 and 2012, there were no short-term debt balances outstanding. The availability of uncommitted lines of credit may be affected by our financial performance, credit ratings and other factors.

Senior Notes

As of December 31, 2013, our long-term debt consists of $280 million in aggregate principal amount at maturity of senior unsecured notes due 2018 at a stated coupon rate of 7.875% (the "2018 Notes"), $280 million in aggregate principal amount at maturity of senior unsecured notes due 2020 at a stated coupon rate of 8.125% (the "2020 Notes") and $500 million in aggregate principal amount of senior unsecured notes due 2023 at a stated coupon rate of 4.75% (the "2023 Notes" and together with the 2018 Notes and the 2020 Notes, the "Notes").

The 2023 Notes were issued on January 17, 2013. The net proceeds from the offering of $493 million, together with our existing sources of liquidity, were used for general corporate purposes, including, without limitation, the redemption of $70 million in aggregate principal amount of the 2018 Notes and 2020 Notes (see below), investments in additional component capabilities and emerging markets and share repurchases under our common stock share repurchase program (see below).

In both 2013 and 2012, we redeemed 10% of the original aggregate principal amount of each of the 2018 Notes and 2020 Notes at a redemption price equal to 103% of the principal amount redeemed, plus accrued and unpaid interest to the redemption date. In connection with these transactions, we paid $72 million and recognized a loss of approximately $4 million on the partial extinguishment of debt in both 2013 and 2012.

Interest is payable on March 15 and September 15 of each year, in the case of the 2018 Notes and 2020 Notes, and January 15 and July 15 of each year, in the case of the 2023 Notes. The 2018 Notes mature on March 15, 2018, the 2020 Notes mature on March 15, 2020, and the 2023 Notes mature on January 15, 2023. As of December 31, 2013 and 2012, we had $1,057 million and $626 million, respectively, of Notes outstanding. The indentures governing the Notes contain certain restrictive covenants and customary events of default. As of December 31, 2013, we were in compliance with all covenants under the indentures governing the Notes.

The Notes are senior unsecured obligations. Our obligations under the Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by certain domestic subsidiaries, which are directly or indirectly 100% owned by Lear.

For further information related to the Notes, including information on early redemption, covenants and events of default, see Note 6, “Debt,” to the consolidated financial statements included in this Report.

Revolving Credit Facility

On January 30, 2013, we amended and restated our revolving credit facility to, among other things, increase the borrowing capacity from $500 million to $1.0 billion, extend the maturity date to January 2018 and reduce interest rates payable on outstanding borrowings under the facility. The revolving credit facility permits borrowings for general corporate and working capital purposes and the issuance of letters of credit. As of December 31, 2013, there were no borrowings outstanding under the revolving credit facility, and we were in compliance with all covenants under the agreement governing the revolving credit facility.

For further information related to the revolving credit facility, including information on pricing, covenants and events of default, see Note 6, “Debt,” to the consolidated financial statements included in this Report and the amended and restated credit agreement, which has been incorporated by reference as an exhibit to this Report.

Contractual Obligations

Our scheduled maturities of long-term debt and our scheduled interest payments on the Notes as of the date of this Report are shown below (in millions). In addition, our lease commitments under non-cancelable operating leases as of December 31, 2013, are shown below (in millions):

	2014	2015	2016	2017	2018	Thereafter	Total
Long-term debt maturities (1)	$ —	$ —	$ —	$ —	$280.0	$ 780.0	$1,060.0
Scheduled interest payments	68.6	68.6	68.6	68.6	57.5	141.0	472.9
Lease commitments	90.1	68.8	59.1	52.3	45.8	74.3	390.4
Total	$158.7	$137.4	$127.7	$120.9	$383.3	$ 995.3	$1,923.3

(1) Represents aggregate principal amounts at maturity.

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 cycle. Although such agreements do not provide for a specified quantity of products, once we enter into such agreements, we are generally required to fulfill our customers’ purchasing requirements for the production life of the vehicle. Prior to being formally awarded a program, we typically work closely with our customers in the early stages of the design and engineering of a vehicle’s systems. Failure to complete the design and engineering work related to a vehicle’s systems, or to fulfill a customer’s contract, could have a material adverse impact on 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, which do not provide for minimum purchases, or are requirements-based contracts.

We may be required to make significant cash outlays related to our unrecognized tax benefits, including interest and penalties. However, due to the uncertainty of the timing of future cash flows associated with our unrecognized tax benefits, we are unable to make reasonably reliable estimates of the period of cash settlement, if any, with the respective taxing authorities. Accordingly, unrecognized tax benefits, including interest and penalties, of $52 million as of December 31, 2013, have been excluded from the contractual obligations table above. For further information related to our unrecognized tax benefits, see Note 7, "Income Taxes," to the consolidated financial statements included in this Report.

We also have minimum funding requirements with respect to our pension obligation. We may elect to make contributions in excess of the minimum funding requirements in response to investment performance or changes in interest rates or when we believe that it is financially advantageous to do so and based on our other cash requirements. Our minimum funding requirements after 2014 will depend on several factors, including investment performance and interest rates. Our minimum funding requirements may also be affected by changes in applicable legal requirements. We expect contributions to our domestic and foreign pension plans, including distributions to participants in certain of our non-qualified defined benefit plans, to be approximately $20 to $25 million in 2014. We also have payments due with respect to our postretirement benefit obligation. We do not fund our postretirement benefit obligation. Rather, payments are made as costs are incurred by covered retirees. We expect payments related to our postretirement benefit obligation to be approximately $9 million in 2014.

We also have a defined contribution retirement program for our salaried employees. Contributions to this program are determined as a percentage of each covered employee's eligible compensation and are expected to be approximately $16 million in 2014.

For further information related to our pension and other postretirement benefit plans, see "— Other Matters — Pension and Other Postretirement Defined Benefit Plans" and Note 8, "Pension and Other Postretirement Benefit Plans," to the consolidated financial statements included in this Report.

Common Stock Share Repurchase Program

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

Dividends

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

Adequacy of Liquidity Sources

As of December 31, 2013, we had approximately $1.1 billion of cash and cash equivalents on hand and $1 billion in available borrowing capacity under our revolving credit facility. Together with cash provided by operating activities, we believe that this will enable us to meet our liquidity needs to satisfy ordinary course business obligations. In addition, we expect to continue to pay quarterly dividends and repurchase shares of our common stock pursuant to our authorized common stock share repurchase program (see Item 5, "Market for the Company's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities"). Our future financial results and our ability to continue to meet our liquidity needs are subject to, and will be affected by, cash flows from operations, including the impact of restructuring activities, automotive industry conditions, the financial condition of our customers and suppliers and other related factors. Additionally, an economic downturn or reduction in production levels could negatively impact our financial condition. For further discussion of the risks and uncertainties affecting our cash flows from operations and our overall liquidity, see Part I — Item 1A, "Risk Factors," "— Executive Overview" above and "— Forward-Looking Statements" below.

Market Risk Sensitivity

In the normal course of business, we are exposed to market risks associated with fluctuations in foreign exchange rates, interest rates and commodity prices. We manage a portion of these risks through the use of derivative financial instruments in accordance with our policies. 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 may mitigate a portion of 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 where appropriate 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.

Currently, our most significant foreign currency transactional exposures relate to the Mexican peso, various European currencies, the Chinese renminbi, the Thai baht and the Canadian dollar. We have performed a quantitative analysis of our overall currency rate exposure as of December 31, 2013. The potential adverse earnings impact related to net transactional exposures from a hypothetical 10% strengthening of the U.S. dollar relative to all other currencies to which it is exposed for a twelve-month period is approximately $27 million. The potential earnings benefit related to net transactional exposures from a similar strengthening of the Euro relative to all other currencies to which it is exposed for a twelve-month period is approximately $4 million.

As of December 31, 2013, foreign exchange contracts representing $1.1 billion of notional amount were outstanding with maturities of less than eighteen months. As of December 31, 2013, the fair value of these contracts was approximately $6 million. A 10% change in the value of the U.S. dollar relative to all other currencies to which it is exposed would result in a $27 million change in the aggregate fair value of these contracts. A 10% change in the value of the Euro relative to all other currencies to which it is exposed would result in a $37 million change in the aggregate fair value of these contracts. As of December 31, 2012, foreign exchange contracts representing $860 million of notional amount were outstanding with maturities of less than seventeen months. As of December 31, 2012, the fair value of these contracts was approximately $20 million. A 10% change in the value of the U.S. dollar relative to all other currencies to which it is exposed would result in a $12 million change in the aggregate fair value of these contracts. A 10% change in the value of the Euro relative to all other currencies to which it is exposed would result in a $30 million change in the aggregate fair 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 (“translational exposure”). In 2013, net sales outside of the United States accounted for 81% of our consolidated net sales, although certain non-U.S. sales are U.S. dollar denominated. We do not enter into foreign exchange contracts to mitigate our translational exposure.

Interest Rates

Historically, we used interest rate swap and other derivative contracts to manage our exposure to fluctuations in interest rates. As of December 31, 2013 and 2012, there were no interest rate contracts outstanding. We will continue to evaluate, and may use, derivative financial instruments, including forwards, futures, options, swaps and other derivative contracts, to manage our exposures to fluctuations in interest rates in the future.

Commodity Prices

Raw material, energy and commodity costs can be volatile. We have developed and implemented strategies to mitigate the impact of higher raw material, energy and commodity costs, such as the selective in-sourcing of components, the continued consolidation of our supply base, longer-term purchase commitments, financial hedges for certain commodities and the selective expansion of low-cost country sourcing and engineering, as well as value engineering and product benchmarking. However, these strategies, together with commercial negotiations with our customers and suppliers, typically offset only a portion of the adverse impact. If these costs increase, it could have an adverse impact on our operating results in the foreseeable future. See Part I — Item 1A, “Risk Factors — Increases in the costs and restrictions on the availability of raw materials, energy, commodities and product components could adversely affect our financial performance,” and “— Forward-Looking Statements.”

We have commodity price risk with respect to purchases of certain raw materials, including steel, copper, diesel fuel, chemicals, resins and leather. Our main cost exposures relate to steel and copper. The majority of the steel used in our products is comprised of components that are integrated into a seat system, such as seat structures and mechanisms and mechanical components. Therefore, our exposure to steel prices is primarily indirect, through these purchased components. Approximately 85% of our copper purchases are subject to price index agreements with our customers.

Historically, we used commodity swap and other derivative contracts to reduce our exposure to fluctuations in copper prices. As of December 31, 2013 and 2012, there were no commodity swap contracts outstanding.

For further information related to the financial instruments described above, see Note 13, “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 various legal proceedings and claims, including, without limitation, commercial and contractual disputes, product liability claims and environmental and other matters. As of December 31, 2013, we had recorded reserves for pending legal disputes, including commercial disputes and other matters, of $18 million. In addition, as of December 31, 2013, we had recorded reserves for product liability claims and environmental matters of $28 million and $5 million, respectively. Although these reserves were determined in accordance with GAAP, the ultimate outcomes of these matters are inherently uncertain, and actual results may differ significantly from current estimates. For a description of risks related to various legal proceedings and claims, see Part I — Item 1A, “Risk Factors.” For a more complete description of our outstanding material legal proceedings, see Note 11, “Commitments and Contingencies,” to the consolidated financial statements included in this Report.

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, these estimates and assumptions 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.

<u>Pre-Production Costs Related to Long-Term Supply Agreements</u>

We incur pre-production engineering and development (“E&D”) and tooling costs related to the products produced for our customers under long-term supply agreements. We expense all pre-production E&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 we do not have a non-cancelable right to use the tooling.

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

<u>Impairment of Goodwill</u>

As of December 31, 2013 and 2012, we had recorded goodwill of $757 million and $747 million, 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 is more likely than not to have occurred. In conducting our annual impairment testing, we may first perform a qualitative assessment of whether it is more likely than not that a reporting unit’s fair value is less than its carrying amount. If not, no further goodwill impairment testing is performed. If it is more likely than not that a reporting unit’s fair value is less than its carrying amount, or if we elect not to perform a qualitative assessment of a reporting unit, we then compare the fair value of the reporting unit to the related net book value. 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 as of the first day of our fourth quarter.

We utilize an income approach to estimate the fair value of each of our reporting units and a market valuation approach to further support this analysis. 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 trends 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. The discount rate used is the value-weighted average of our estimated cost of equity and of debt ("cost of capital") derived using both known and estimated customary market metrics. Our weighted average cost of capital is adjusted by reporting unit to reflect a risk factor, if necessary. 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. The market valuation approach is used to further support our analysis and is based on recent transactions involving comparable companies.

In 2013, we performed a qualitative assessment for certain of our reporting units and a quantitative assessment for others. All assessments were completed as of the first day of our fourth quarter. The assessments indicated that the fair value of each of the reporting units exceeded its respective carrying value. We do not believe that any of our reporting units is at risk for impairment.

Impairment of Long-Lived Assets

We monitor our long-lived assets for impairment indicators on an ongoing basis in accordance with GAAP. If impairment indicators exist, we perform the required impairment analysis by comparing the undiscounted cash flows expected to be generated from the long-lived assets to the related net book values. 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 our long-lived assets.

For the years ended December 31, 2013, 2012 and 2011, we recognized fixed asset impairment charges of $9 million, $6 million and $1 million, respectively, in conjunction with our restructuring actions, as well as additional fixed asset impairment charges of $2 million, $1 million and $1 million, respectively. See Note 4, "Restructuring," to the consolidated financial statements included in this Report.

Impairment of Investments in Affiliates

As of December 31, 2013 and 2012, we had aggregate investments in affiliates of $172 million and $178 million, respectively. We monitor our investments in affiliates for indicators of other-than-temporary declines in value on an ongoing basis in accordance with GAAP. If we determine that an other-than-temporary decline in value has occurred, we recognize an impairment loss, which is measured as the difference between the recorded book value and the fair value of the investment. Fair value is generally determined using an income approach based on discounted cash flows or negotiated transaction values. A deterioration in industry conditions and decline in the operating results of our non-consolidated affiliates could result in the impairment of our investments.

Restructuring

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

Legal and Other Contingencies

We are involved from time to time in various legal proceedings and claims, including commercial or contractual disputes, product liability claims and environmental and other matters, that arise in the normal course of business. We routinely assess the likelihood of any adverse judgments or outcomes related 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 GAAP for those matters where we believe that the likelihood that a loss has occurred is probable and the amount of the 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 amount of such 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. See Note 11, "Commitments and Contingencies," to the consolidated financial statements included in this Report.

Pension and Other Postretirement Defined Benefit Plans

We provide certain pension and other postretirement benefits to our employees and retired employees, including pensions, postretirement health care benefits and other postretirement benefits.

Plan assets and obligations are measured using various actuarial assumptions, such as discount rates, rate of compensation increase, mortality rates, turnover rates and health care cost trend rates, which are determined as of the current year measurement date. The measurement of net periodic benefit cost is based on various actuarial assumptions, including discount rates, expected return on plan assets and rate of compensation increase, which are determined as of the prior year measurement date. We review our actuarial assumptions on an annual basis and modify these assumptions when appropriate. As required by GAAP, the effects of the modifications are recorded currently or are amortized over future periods.

Approximately 9% of our active workforce is covered by defined benefit pension plans. Approximately 1% 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 and liquidity considerations and local practices. We do not fund our postretirement benefit obligation.

As of December 31, 2013, our projected benefit obligations related to our pension and other postretirement benefit plans were $1.0 billion and $134 million, respectively, and our unfunded pension and other postretirement benefit obligations were $126 million and $134 million, respectively. These benefit obligations were valued using a weighted average discount rate of 5.0% and 4.5% for domestic pension and other postretirement benefit plans, respectively, and 4.6% and 5.0% for foreign pension and other postretirement benefit plans, respectively. The determination of the discount rate is generally based on an index created from 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 unfunded status of our pension and other postretirement benefit plans. Decreasing the discount rate by 100 basis points would have increased the projected benefit obligations and unfunded status of our pension and other postretirement benefit plans by approximately $169 million and $17 million, respectively.

For the year ended December 31, 2013, net periodic pension benefit cost was $16 million and net periodic other postretirement benefit cost was $1 million. In 2013, net periodic pension benefit cost was calculated using a variety of assumptions, including a weighted average discount rate of 4.1% for domestic and 4.3% for foreign plans and an expected return on plan assets of 8.0% for domestic and 6.7% for foreign plans. 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. In 2013, net periodic other postretirement benefit cost was calculated using a discount rate of 3.7% for domestic and 4.4% for foreign plans.

Aggregate net periodic pension and other postretirement benefit cost is forecasted to be approximately $4 million in 2014. This estimate is based on a weighted average discount rate of 5.0% and 4.6% for domestic and foreign pension plans, respectively, and 4.5% and 5.0% 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. Adjustments to our actuarial assumptions could have a material adverse impact on our operating results. Decreasing the discount rate by 100 basis points would increase net periodic pension and other postretirement benefit cost by approximately $6 million and $1 million, respectively, for the year ended December 31, 2014. Decreasing the expected return on plan assets by 100 basis points would increase net periodic pension benefit cost by approximately $9 million for the year ended December 31, 2014.

For further information related to our pension and other postretirement benefit plans, see "— Liquidity and Financial Condition — Capitalization — Contractual Obligations" above and Note 8, "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 cycle. Although such agreements do not provide for a specified quantity of products, once we enter into such agreements, we are generally required to fulfill our customers' purchasing requirements for the production life of the vehicle. These agreements generally may be terminated by our customers at any time. Historically, terminations of these agreements have been minimal. Sales are generally recorded upon shipment of product to customers and transfer of title under standard commercial terms. In certain 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 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. We are asked to provide our customers with annual productivity price 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.

Income Taxes

We account for income taxes in accordance with GAAP. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax loss and credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Our current and future provision for income taxes is impacted by the initial recognition of and changes in valuation allowances in certain countries. We intend to maintain these allowances until it is more likely than not that the deferred tax assets will be realized. Our future provision for income taxes will include no tax benefit with respect to losses incurred and, except for certain jurisdictions, no tax expense with respect to income generated in these countries until the respective valuation allowances are eliminated. Accordingly, income taxes are impacted by changes in valuation allowances and the mix of earnings among jurisdictions. We evaluate the realizability of our deferred tax assets on a quarterly basis. In completing this evaluation, we consider all available evidence in order to determine whether, based on the weight of the evidence, a valuation allowance for our deferred tax assets is necessary. Such evidence includes historical results, future reversals of existing taxable temporary differences and expectations for future taxable income (exclusive of the reversal of temporary differences and carryforwards), as well as the implementation of feasible and prudent tax planning strategies. If, based on the weight of the evidence, it is more likely than not that all or a portion of our deferred tax assets will not be realized, a valuation allowance is recorded. As of December 31, 2013, we had a valuation allowance related to tax loss and credit carryforwards and other deferred tax assets of $36 million in the United States and $607 million in several international jurisdictions. If operating results improve or decline on a continual basis in a particular jurisdiction, our decision regarding the need for a valuation allowance could change, resulting in either the initial recognition or reversal of a valuation allowance in that jurisdiction, which could have a significant impact on income tax expense in the period recognized and subsequent periods. 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.

The calculation of our gross unrecognized tax benefits and liabilities includes uncertainties in the application of, and changes in, 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 benefits and liabilities based on changing facts and circumstances; however, due to the complexity of these uncertainties and the impact of tax audits, the ultimate resolutions may differ significantly from our estimates.

For further information, see "— Forward-Looking Statements," and Note 7, "Income Taxes," to the consolidated financial statements included in this Report.

Fair Value Measurements

We measure certain assets and liabilities at fair value on a non-recurring basis using unobservable inputs (Level 3 input based on the GAAP fair value hierarchy). For further information on these fair value measurements, see "— Impairment of Goodwill," "— Impairment of Long-Lived Assets," "— Restructuring" and "— Impairment of Investments in Affiliates" above.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP 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 2013, there were no material changes in the methods or policies used to establish estimates and assumptions. Other matters subject to estimation and judgment include amounts related to accounts receivable realization, inventory obsolescence, asset impairments, useful lives of fixed and intangible assets, 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 significantly from our estimates.

Recently Issued Accounting Pronouncements

For information on the impact of recently issued accounting pronouncements, see Note 15, “Accounting Pronouncements,” to the consolidated financial statements included in this Report.

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,” “forecasts” and similar expressions identify certain of these forward-looking statements. We also may provide forward-looking statements in oral statements or other written materials released to the public. All such forward-looking statements contained or incorporated in this Report or in any other public statements which address operating performance, events or developments that we expect or anticipate may occur in the future, including, without limitation, statements related to business opportunities, awarded sales contracts, sales backlog and ongoing commercial arrangements, or statements expressing views about future operating results, are forward-looking statements. Actual results may differ materially from any or all forward-looking statements made by us. Important factors, risks and uncertainties that may cause actual results to differ materially from anticipated results include, but are not limited to:

- general economic conditions in the markets in which we operate, including changes in interest rates or currency exchange rates;
- the financial condition and restructuring actions of our customers and suppliers;
- changes in actual industry vehicle production levels from our current estimates;
- fluctuations in the production of vehicles or the loss of business with respect to, or the lack of commercial success of, a vehicle model for which we are a significant supplier;
- disruptions in the relationships with our suppliers;
- labor disputes involving us or our significant customers or suppliers or that otherwise affect us;
- the outcome of customer negotiations and the impact of customer-imposed price reductions;
- the impact and timing of program launch costs and our management of new program launches;
- the costs, timing and success of restructuring actions;
- increases in our warranty, product liability or recall costs;
- risks associated with conducting business in foreign countries;
- the impact of regulations on our foreign operations;
- the operational and financial success of our joint ventures;
- competitive conditions impacting us and our key customers and suppliers;
- disruptions to our information technology systems;
- the cost and availability of raw materials, energy, commodities and product components and our ability to mitigate such costs;
- the outcome of legal or regulatory proceedings to which we are or may become a party;
- the impact of pending legislation and regulations or changes in existing federal, state, local or foreign laws or regulations;
- unanticipated changes in cash flow, including our ability to align our vendor payment terms with those of our customers;
- limitations imposed by our existing indebtedness and our ability to access capital markets on commercially reasonable terms;
- impairment charges initiated by adverse industry or market developments;
- our ability to execute our strategic objectives;
- changes in discount rates and the actual return on pension assets;
- costs associated with compliance with environmental laws and regulations;
- the impact of new regulations related to conflict minerals;

- developments or assertions by or against us relating to intellectual property rights;
- our ability to utilize our net operating loss, capital loss and tax credit carryforwards;
- global sovereign fiscal matters and creditworthiness, including potential defaults and the related impacts on economic activity, including the possible effects on credit markets, currency values, monetary unions, international treaties and fiscal policies; and
- other risks, described in Part I — Item 1A, “Risk Factors,” as well as the risks and information provided from time to time in our filings with the Securities and Exchange Commission.

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

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Lear Corporation

We have audited the accompanying consolidated balance sheets of Lear Corporation and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2013. Our audits also included the financial statement schedule listed in the Index at Item 15(a). 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lear Corporation and subsidiaries at December 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Lear Corporation’s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework), and our report dated February 10, 2014, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Detroit, Michigan
February 10, 2014

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

The Board of Directors and Shareholders of Lear Corporation

We have audited Lear Corporation and subsidiaries' internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). Lear Corporation and subsidiaries' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on 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, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk 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, Lear Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2013 consolidated financial statements of Lear Corporation and subsidiaries, and our report dated February 10, 2014, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Detroit, Michigan
February 10, 2014

LEAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions, except share data)

December 31,	2013	2012
Assets		
Current Assets:		
Cash and cash equivalents	$1,137.7	$1,402.2
Accounts receivable	2,278.3	2,040.7
Inventories	818.7	727.1
Other	687.8	703.5
Total current assets	4,922.5	4,873.5
Long-Term Assets:		
Property, plant and equipment, net	1,587.2	1,403.1
Goodwill	757.2	746.5
Other	1,064.0	1,171.0
Total long-term assets	3,408.4	3,320.6
Total assets	$8,330.9	$8,194.1
Liabilities and Equity		
Current Liabilities:		
Accounts payable and drafts	$2,438.7	$2,233.0
Accrued liabilities	1,140.4	983.9
Total current liabilities	3,579.1	3,216.9
Long-Term Liabilities:		
Long-term debt	1,057.1	626.3
Other	545.2	738.7
Total long-term liabilities	1,602.3	1,365.0
Equity:		
Preferred stock, 100,000,000 shares authorized (including 10,896,250 shares of Series A convertible preferred stock authorized); no shares outstanding	—	—
Common stock, $0.01 par value, 300,000,000 shares authorized; 88,062,341 and 107,863,310 shares issued as of December 31, 2013 and 2012, respectively	0.9	1.1
Additional paid-in capital, including warrants to purchase common stock	1,652.9	2,155.7
Common stock held in treasury, 7,311,037 and 11,921,235 shares as of December 31, 2013 and 2012, respectively, at cost	(362.1)	(517.9)
Retained earnings	1,920.3	2,149.0
Accumulated other comprehensive loss	(166.1)	(300.8)
Lear Corporation stockholders' equity	3,045.9	3,487.1
Noncontrolling interests	103.6	125.1
Equity	3,149.5	3,612.2
Total liabilities and equity	$8,330.9	$8,194.1

The accompanying notes are an integral part of these consolidated balance sheets.

LEAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per share data)

For the year ended December 31,	2013	2012	2011
Net sales	$16,234.0	$14,567.0	$14,156.5
Cost of sales	14,934.3	13,349.5	12,963.3
Selling, general and administrative expenses	528.7	479.3	485.6
Amortization of intangible assets	34.4	33.0	28.0
Interest expense	68.4	49.9	39.7
Other expense, net	58.1	6.4	24.2
Consolidated income before provision (benefit) for income taxes and equity in net income of affiliates	610.1	648.9	615.7
Provision (benefit) for income taxes	192.7	(638.0)	68.8
Equity in net income of affiliates	(38.4)	(30.3)	(23.5)
Consolidated net income	455.8	1,317.2	570.4
Less: Net income attributable to noncontrolling interests	24.4	34.4	29.7
Net income attributable to Lear	$ 431.4	$ 1,282.8	$ 540.7
Basic net income per share attributable to Lear	$ 5.07	$ 13.04	$ 5.21
Diluted net income per share attributable to Lear	$ 4.99	$ 12.85	$ 5.08

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

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LEAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

For the year ended December 31,	2013	2012	2011
Consolidated net income	$455.8	$1,317.2	$ 570.4
Other comprehensive income (loss), net of tax:			
Defined benefit plan adjustments	145.4	(10.8)	(181.7)
Derivative instrument and hedging activities	(8.0)	40.3	(36.3)
Foreign currency translation adjustments	(1.2)	2.9	(33.5)
Total other comprehensive income (loss)	136.2	32.4	(251.5)
Consolidated comprehensive income	592.0	1,349.6	318.9
Less: Comprehensive income attributable to noncontrolling interests	25.9	35.6	32.2
Comprehensive income attributable to Lear	$566.1	$1,314.0	$ 286.7

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

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LEAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(In millions, except share data)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Common Stock Held in Treasury	Retained Earnings
Balance at December 31, 2010	$ —	$ 1.1	$ 2,116.0	$ (13.4)	$ 434.5
Comprehensive income (loss):					
Net income	—	—	—	—	540.7
Other comprehensive income (loss)	—	—	—	—	—
Total comprehensive income (loss)	—	—	—	—	540.7
Issuance of 1,092,437 shares of common stock related to exercises of warrants	—	—	—	—	—
Stock-based compensation	—	—	34.6	(13.1)	—
Repurchases of 6,182,429 shares of common stock at an average price of $45.15 per share	—	—	—	(279.1)	—
Dividends declared to Lear Corporation stockholders	—	—	—	—	(52.9)
Dividends paid to noncontrolling interests	—	—	—	—	—
Acquisition of controlling interest in affiliate	—	—	—	—	—
Balance at December 31, 2011	$ —	$ 1.1	$ 2,150.6	$ (305.6)	$ 922.3
Comprehensive income (loss):					
Net income	—	—	—	—	1,282.8
Other comprehensive income (loss)	—	—	—	—	—
Total comprehensive income (loss)	—	—	—	—	1,282.8
Issuance of 38,017 shares of common stock related to exercises of warrants	—	—	—	—	—
Stock-based compensation	—	—	39.8	(13.0)	—
Excess tax benefits related to stock-based compensation	—	—	0.3	—	—
Issuances of 541,890 shares held in treasury at an average price of $43.46 per share in settlement of stock-based compensation	—	—	(23.5)	23.5	—
Repurchases of 5,357,443 shares of common stock at an average price of $41.59 per share	—	—	—	(222.8)	—
Dividends declared to Lear Corporation stockholders	—	—	—	—	(56.1)
Dividends paid to noncontrolling interests	—	—	—	—	—
Acquisition of outstanding noncontrolling interests	—	—	(11.5)	—	—
Balance at December 31, 2012	$ —	$ 1.1	$ 2,155.7	$ (517.9)	$2,149.0
Comprehensive income (loss):					
Net income	—	—	—	—	431.4
Other comprehensive income (loss)	—	—	—	—	—
Total comprehensive income (loss)	—	—	—	—	431.4
Issuance of 195,974 shares of common stock related to exercises of warrants	—	—	—	—	—
Stock-based compensation	—	—	59.4	(4.1)	—
Excess tax benefits related to stock-based compensation	—	—	0.1	—	—
Issuances of 207,468 shares held in treasury at an average price of $45.11 per share in settlement of stock-based compensation	—	—	(9.4)	9.4	—
Repurchases of 15,533,758 shares of common stock at an average price of $54.08 per share	—	—	(160.0)	(840.1)	—
Retirement of 20,000,000 shares held in treasury at average price of $49.53 per share	—	(0.2)	(389.7)	990.6	(600.7)
Dividends declared to Lear Corporation stockholders	—	—	—	—	(59.4)
Dividends paid to noncontrolling interests	—	—	—	—	—
Acquisition of outstanding noncontrolling interests	—	—	(3.2)	—	—
Balance at December 31, 2013	$ —	$ 0.9	$ 1,652.9	$ (362.1)	$1,920.3

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

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LEAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY (continued)
(In millions, except share data)

	Accumulated Other Comprehensive Loss, net of tax					
	Defined Benefit Plans	Derivative Instruments and Hedging Activities	Cumulative Translation Adjustments	Lear Corporation Stockholders' Equity	Non-controlling Interests	Equity
Balance at December 31, 2010	$ (57.4)	$ (1.3)	$ (19.3)	$ 2,460.2	$ 108.6	$ 2,568.8
Comprehensive income (loss):						
Net income	—	—	—	540.7	29.7	570.4
Other comprehensive income (loss)	(181.7)	(36.3)	(36.0)	(254.0)	2.5	(251.5)
Total comprehensive income (loss)	(181.7)	(36.3)	(36.0)	286.7	32.2	318.9
Issuance of 1,092,437 shares of common stock related to exercises of warrants	—	—	—	—	—	—
Stock-based compensation	—	—	—	21.5	—	21.5
Repurchases of 6,182,429 shares of common stock at an average price of $45.15 per share	—	—	—	(279.1)	—	(279.1)
Dividends declared to Lear Corporation stockholders	—	—	—	(52.9)	—	(52.9)
Dividends paid to noncontrolling interests	—	—	—	—	(18.5)	(18.5)
Acquisition of controlling interest in affiliate	—	—	—	—	2.4	2.4
Balance at December 31, 2011	$ (239.1)	$ (37.6)	$ (55.3)	$ 2,436.4	$ 124.7	$ 2,561.1
Comprehensive income (loss):						
Net income	—	—	—	1,282.8	34.4	1,317.2
Other comprehensive income (loss)	(10.8)	40.3	1.7	31.2	1.2	32.4
Total comprehensive income (loss)	(10.8)	40.3	1.7	1,314.0	35.6	1,349.6
Issuance of 38,017 shares of common stock related to exercises of warrants	—	—	—	—	—	—
Stock-based compensation	—	—	—	26.8	—	26.8
Excess tax benefits related to stock-based compensation	—	—	—	0.3	—	0.3
Issuances of 541,890 shares held in treasury at an average price of $43.46 per share in settlement of stock-based compensation	—	—	—	—	—	—
Repurchases of 5,357,443 shares of common stock at an average price of $41.59 per share	—	—	—	(222.8)	—	(222.8)
Dividends declared to Lear Corporation stockholders	—	—	—	(56.1)	—	(56.1)
Dividends paid to noncontrolling interests	—	—	—	—	(23.1)	(23.1)
Acquisition of outstanding noncontrolling interests	—	—	—	(11.5)	(12.1)	(23.6)
Balance at December 31, 2012	$ (249.9)	$ 2.7	$ (53.6)	$ 3,487.1	$ 125.1	$ 3,612.2
Comprehensive income (loss):						
Net income	—	—	—	431.4	24.4	455.8
Other comprehensive income (loss)	145.4	(8.0)	(2.7)	134.7	1.5	136.2
Total comprehensive income (loss)	145.4	(8.0)	(2.7)	566.1	25.9	592.0
Issuance of 195,974 shares of common stock related to exercises of warrants	—	—	—	—	—	—
Stock-based compensation	—	—	—	55.3	—	55.3
Excess tax benefits related to stock-based compensation	—	—	—	0.1	—	0.1
Issuances of 207,468 shares held in treasury at an average price of $45.11 per share in settlement of stock-based compensation	—	—	—	—	—	—
Repurchases of 15,533,758 shares of common stock at an average price of $54.08 per share	—	—	—	(1,000.1)	—	(1,000.1)
Retirement of 20,000,000 shares held in treasury at average price of $49.53 per share	—	—	—	—	—	—
Dividends declared to Lear Corporation stockholders	—	—	—	(59.4)	—	(59.4)
Dividends paid to noncontrolling interests	—	—	—	—	(44.0)	(44.0)
Acquisition of outstanding noncontrolling interests	—	—	—	(3.2)	(3.4)	(6.6)
Balance at December 31, 2013	$ (104.5)	$ (5.3)	$ (56.3)	$ 3,045.9	$ 103.6	$ 3,149.5

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

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LEAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

For the year ended December 31,	2013	2012	2011
Cash Flows from Operating Activities:			
Consolidated net income	$ 455.8	$1,317.2	$ 570.4
Adjustments to reconcile consolidated net income to net cash provided by operating activities –			
Equity in net income of affiliates	(38.4)	(30.3)	(23.5)
Loss on extinguishment of debt	3.6	3.7	—
Fixed asset impairment charges	11.1	6.5	2.2
Deferred tax provision (benefit)	45.4	(693.7)	(49.4)
Depreciation and amortization	285.5	239.5	246.3
Stock-based compensation	59.4	39.8	34.6
Net change in recoverable customer engineering, development and tooling	3.2	(36.7)	(11.4)
Net change in working capital items (see below)	(8.2)	(48.8)	(6.3)
Changes in other long-term liabilities	(25.6)	(22.8)	4.3
Changes in other long-term assets	12.9	(20.3)	21.3
Other, net	15.4	(24.3)	1.8
Net cash provided by operating activities	820.1	729.8	790.3
Cash Flows from Investing Activities:			
Additions to property, plant and equipment	(460.6)	(458.3)	(329.5)
Insurance proceeds	7.1	19.2	3.5
Cash paid for acquisitions, net of cash acquired	—	(243.9)	(8.4)
Other, net	49.6	(4.9)	31.2
Net cash used in investing activities	(403.9)	(687.9)	(303.2)
Cash Flows from Financing Activities:			
Proceeds from the issuance of senior notes	500.0	—	—
Repurchase of senior notes	(72.1)	(72.1)	—
Payment of debt issuance and other financing costs	(13.4)	—	(4.8)
Other long-term debt repayments, net	—	—	(1.1)
Short-term repayments, net	—	—	(4.0)
Repurchase of common stock	(1,000.1)	(222.8)	(279.1)
Dividends paid to Lear Corporation stockholders	(58.4)	(54.6)	(51.1)
Dividends paid to noncontrolling interests	(44.0)	(23.1)	(18.5)
Other, net	(10.5)	(23.5)	(13.7)
Net cash used in financing activities	(698.5)	(396.1)	(372.3)
Effect of foreign currency translation	17.8	2.1	(14.6)
Net Change in Cash and Cash Equivalents	(264.5)	(352.1)	100.2
Cash and Cash Equivalents as of Beginning of Period	1,402.2	1,754.3	1,654.1
Cash and Cash Equivalents as of End of Period	$ 1,137.7	$1,402.2	$1,754.3
Changes in Working Capital Items:			
Accounts receivable	$ (239.6)	$ (111.5)	$ (165.8)
Inventories	(102.0)	(60.0)	(101.0)
Accounts payable	189.5	174.6	216.7
Accrued liabilities and other	143.9	(51.9)	43.8
Net change in working capital items	$ (8.2)	$ (48.8)	$ (6.3)
Supplementary Disclosure:			
Cash paid for interest	$ 64.2	$ 58.4	$ 59.9
Cash paid for income taxes, net of refunds received of $12.6 in 2013, $12.7 in 2012 and $21.1 in 2011	$ 152.9	$ 85.0	$ 79.8

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

Lear Corporation ("Lear," and together with its consolidated subsidiaries, the "Company") and its affiliates design and manufacture automotive seating and electrical distribution systems and related components. The Company's main customers are automotive original equipment manufacturers. The Company operates facilities worldwide.

The accompanying consolidated financial statements include the accounts of Lear, a Delaware corporation, and the wholly owned and less than wholly owned subsidiaries controlled by Lear.

(2) Summary of Significant Accounting Policies

Consolidation

Lear consolidates all entities, including variable interest entities, in which it has a controlling financial interest. 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").

Fiscal Period Reporting

The Company's annual financial results are reported on a calendar year basis, and quarterly interim results are reported using a thirteen week reporting calendar.

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 title is transferred to its customers. The Company's customers are the world's major automotive manufacturers. The Company records accounts receivable reserves for known collectibility issues, as such issues relate to specific transactions or customer balances. As of December 31, 2013 and 2012, accounts receivable are reflected net of reserves of $34.5 million and $35.4 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, 2013 and 2012, inventories are reflected net of reserves of $98.8 million and $89.8 million, respectively. A summary of inventories is shown below (in millions):

December 31,	2013	2012
Raw materials	$633.5	$582.2
Work-in-process	45.8	37.4
Finished goods	139.4	107.5
Inventories	$818.7	$727.1

Pre-Production Costs Related to Long-Term Supply Agreements

The Company incurs pre-production engineering and development ("E&D") and tooling costs related to the products produced for its customers under long-term supply agreements. The Company expenses all pre-production E&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 Company does not have a non-cancelable right to use the tooling. During 2013 and 2012, the Company capitalized $202.1 million and $201.5 million, respectively, of pre-production E&D costs for which reimbursement is contractually guaranteed by the customer. During 2013 and 2012, the Company also capitalized $233.1 million and $164.7 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 Company has a non-cancelable right to use the tooling. These amounts are included in other current and long-term assets in the accompanying consolidated balance sheets. During 2013 and 2012, the Company collected $423.9 million and $346.8 million, respectively, of cash related to E&D and tooling costs.

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The classification of recoverable customer E&D and tooling costs related to long-term supply agreements is shown below (in millions):

December 31,	2013	2012
Current	$134.2	$141.8
Long-term	52.9	55.0
Recoverable customer E&D and tooling	$187.1	$196.8

Property, Plant and Equipment

Property, plant and equipment is stated at cost. Costs associated with the repair and maintenance of the Company's property, plant and equipment are expensed as incurred. Costs associated with improvements which extend the life, increase the capacity or improve the efficiency or safety of the Company's property, plant and equipment are capitalized and depreciated over the remaining useful life of the related asset. Depreciable property is depreciated over the estimated useful lives of the assets, using principally the straight-line method as follows:

Buildings and improvements	10 to 40 years
Machinery and equipment	5 to 10 years

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

December 31,	2013	2012
Land	$ 113.4	$ 114.0
Buildings and improvements	532.0	475.1
Machinery and equipment	1,645.0	1,306.6
Construction in progress	155.2	139.6
Total property, plant and equipment	2,445.6	2,035.3
Less – accumulated depreciation	(858.4)	(632.2)
Net property, plant and equipment	$1,587.2	$1,403.1

Depreciation expense was $251.1 million, $206.6 million and $218.3 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Impairment of 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 is more likely than not to have occurred. In conducting its annual impairment testing, the Company may first perform a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount. If not, no further goodwill impairment testing is required. If it is more likely than not that a reporting unit's fair value is less than its carrying amount, or if the Company elects not to perform a qualitative assessment of a reporting unit, the Company then compares the fair value of the reporting unit to the related net book value. 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 as of the first day of its fourth quarter.

The Company utilizes an income approach to estimate the fair value of each of its reporting units and a market valuation approach to further support this analysis. 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 trends 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. The discount rate used is the value-weighted average of the Company's estimated cost of equity and of debt ("cost of capital") derived using both known and estimated customary market metrics. The Company's weighted average cost of capital is adjusted by reporting unit to reflect a risk factor, if necessary. 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. The market valuation approach is used to further support the Company's analysis and is based on recent transactions involving comparable companies.

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

In 2013, the Company performed a qualitative assessment for certain of its reporting units and a quantitative assessment for others. All assessments were completed as of the first day of the Company’s fourth quarter. The assessments indicated that the fair value of each of the reporting units exceeded its respective carrying value. The Company does not believe that any of its reporting units is at risk for impairment.

A summary of the changes in the carrying amount of goodwill, by reportable operating segment, for each of the periods in the two years ended December 31, 2013, is shown below (in millions):

	Seating
Balance as of December 31, 2011	$628.6
Acquisition	113.9
Foreign currency translation and other	4.0
Balance as of December 31, 2012	$746.5
Foreign currency translation and other	10.7
Balance as of December 31, 2013	$757.2

Intangible Assets

Intangible assets consist primarily of certain intangible assets recorded in connection with the adoption of fresh-start accounting in 2009 and the acquisition of Guilford Mills (“Guilford”) in 2012. These intangible assets were recorded at their estimated fair value, based on independent appraisals, as of the transaction or acquisition date. The technology intangible asset includes the Company’s proprietary patents. The value assigned to technology intangibles is based on the royalty savings method, which applies a hypothetical royalty rate to projected revenues attributable to the identified technologies. Royalty rates were determined based on analysis of market information and discussions with the Company’s management. The customer-based intangible asset includes the Company’s established relationships with its customers and the ability of these customers to generate future economic profits for the Company. The value assigned to customer-based intangibles is based on the present value of future earnings attributable to the asset group after recognition of required returns to other contributory assets. A summary of intangible assets as of December 31, 2013 and 2012, is shown below (in millions):

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted Average Useful Life (years)
Technology	$ 32.7	$ (13.0)	$ 19.7	8.9
Customer-based	223.1	(113.1)	110.0	8.0
Balance as of December 31, 2013	$ 255.8	$ (126.1)	$ 129.7	8.1

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted Average Useful Life (years)
Technology	$ 32.2	$ (9.0)	$ 23.2	8.8
Customer-based	224.6	(83.5)	141.1	7.8
Balance as of December 31, 2012	$ 256.8	$ (92.5)	$ 164.3	8.0

Excluding the impact of any future acquisitions, the Company’s estimated annual amortization expense for the five succeeding years is shown below (in millions):

Year	Expense
2014	34.1
2015	34.1
2016	29.8
2017	7.9
2018	6.0

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Impairment of Long-Lived Assets

The Company monitors its long-lived assets for impairment indicators on an ongoing basis in accordance with accounting principles generally accepted in the United States ("GAAP"). If impairment indicators exist, the Company performs the required impairment analysis by comparing the undiscounted cash flows expected to be generated from the long-lived assets to the related net book values. 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.

For the years ended December 31, 2013, 2012 and 2011, the Company recognized fixed asset impairment charges of $9.2 million, $6.0 million and $1.0 million, respectively, in conjunction with its restructuring actions (Note 4, "Restructuring"), as well as additional fixed asset impairment charges of $1.9 million, $0.5 million and $1.2 million, respectively.

Fixed asset impairment charges are recorded in cost of sales in the accompanying consolidated statements of income for the years ended December 31, 2013, 2012 and 2011.

Impairment of Investments in Affiliates

The Company monitors its investments in affiliates for indicators of other-than-temporary declines in value on an ongoing basis in accordance with GAAP. If the Company determines that an other-than-temporary decline in value has occurred, it recognizes an impairment loss, which is measured as the difference between the recorded book value and the fair value of the investment. Fair value is generally determined using an income approach based on discounted cash flows or negotiated transaction values.

Revenue Recognition and Sales Commitments

The Company enters into agreements with its customers to produce products at the beginning of a vehicle's life cycle. Although such agreements do not provide for a specified quantity of products, once the Company enters into such agreements, the Company is generally required to fulfill its customers' purchasing requirements for the production life of the vehicle. These agreements generally may be terminated by the Company's customers at any time. Historically, terminations of these agreements have been minimal. Sales are generally recorded upon shipment of product to customers and transfer of title under standard commercial terms. In certain 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 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. The Company is asked to provide its customers with annual price 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 income. Shipping and handling costs are included in cost of sales in the consolidated statements of income.

Cost of Sales and Selling, General and Administrative Expenses

Cost of sales includes material, labor and overhead costs associated with the manufacture and distribution of the Company's products. Distribution costs include inbound freight costs, purchasing and receiving costs, inspection costs, warehousing costs and other costs of the Company's distribution network. Selling, general and administrative expenses include selling, engineering and development and administrative costs not directly associated with the manufacture and distribution of the Company's products.

Restructuring Costs

Restructuring costs include employee termination benefits, fixed asset impairment charges and contract termination costs, as well as other incremental costs resulting from the restructuring actions. These incremental costs principally include equipment and personnel relocation costs. The Company also incurs incremental manufacturing inefficiency costs at the operating locations impacted by the restructuring actions during the related restructuring implementation period. Restructuring costs are recognized in the Company’s consolidated financial statements in accordance with GAAP. Generally, charges are recorded as restructuring actions are approved and/or implemented.

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Engineering and Development

Costs incurred in connection with the development of new products and manufacturing methods within one year of launch, to the extent not recoverable from the Company's customers, are charged to cost of sales as incurred. Such costs are charged to selling, general and administrative expenses when incurred more than one year prior to launch. Engineering and development costs charged to selling, general and administrative expenses totaled $108.4 million, $104.3 million and $110.7 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Other Expense, Net

Other expense, net includes non-income related taxes, foreign exchange gains and losses, gains and losses related to certain derivative instruments and hedging activities, gains and losses on the extinguishment of debt (Note 6, "Debt"), gains and losses on the disposal of fixed assets (Note 11, "Commitments and Contingencies") and other miscellaneous income and expense. A summary of other expense, net is shown below (in millions):

For the year ended December 31,	2013	2012	2011
Other expense	$59.9	$ 33.9	$27.8
Other income	(1.8)	(27.5)	(3.6)
Other expense, net	$58.1	$ 6.4	$24.2

Income Taxes

The Company accounts for income taxes in accordance with GAAP. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax loss and credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The Company's current and future provision for income taxes is impacted by the initial recognition of and changes in valuation allowances in certain countries. The Company intends to maintain these allowances until it is more likely than not that the deferred tax assets will be realized. The Company's future provision for income taxes will include no tax benefit with respect to losses incurred and, except for certain jurisdictions, no tax expense with respect to income generated in these countries until the respective valuation allowances are eliminated. Accordingly, income taxes are impacted by changes in valuation allowances and the mix of earnings among jurisdictions. The Company evaluates the realizability of its deferred tax assets on a quarterly basis. In completing this evaluation, the Company considers all available evidence in order to determine whether, based on the weight of the evidence, a valuation allowance for its deferred tax assets is necessary. Such evidence includes historical results, future reversals of existing taxable temporary differences and expectations for future taxable income (exclusive of the reversal of temporary differences and carryforwards), as well as the implementation of feasible and prudent tax planning strategies. If, based on the weight of the evidence, it is more likely than not that all or a portion of the Company's deferred tax assets will not be realized, a valuation allowance is recorded. If operating results improve or decline on a continual basis in a particular jurisdiction, the Company's decision regarding the need for a valuation allowance could change, resulting in either the initial recognition or reversal of a valuation allowance in that jurisdiction, which could have a significant impact on income tax expense in the period recognized and subsequent periods. In determining the provision for income taxes for financial statement purposes, the Company makes certain estimates and judgments, which affect its evaluation of the carrying value of its deferred tax assets, as well as its calculation of certain tax liabilities.

The calculation of the Company's gross unrecognized tax benefits and liabilities includes uncertainties in the application of, and changes in, complex tax regulations in a multitude of jurisdictions across its global operations. The Company recognizes tax benefits and liabilities based on its estimates of whether, and the extent to which, additional taxes will be due. The Company adjusts these benefits and liabilities based on changing facts and circumstances; however, due to the complexity of these uncertainties and the impact of tax audits, the ultimate resolutions may differ significantly from the Company's estimates.

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 into U.S. dollars using an average of the foreign exchange

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

rates in effect during the period. Translation adjustments that arise from translating a foreign subsidiary's financial statements from the functional currency to the U.S. dollar are reflected in accumulated other comprehensive 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 certain long-term intercompany transactions, are included in the consolidated statements of income as incurred.

Stock-Based Compensation

The Company measures stock-based employee compensation expense at fair value in accordance with GAAP and recognizes such expense over the vesting period of the stock-based employee awards.

Net Income Per Share Attributable to Lear

Basic net income per share attributable to Lear is computed using the two-class method by dividing net income attributable to Lear, after deducting undistributed earnings allocated to participating securities, by the average number of common shares outstanding during the period. Common shares issuable upon the satisfaction of certain conditions pursuant to a contractual agreement are considered common shares outstanding and are included in the computation of basic net income per share attributable to Lear.

Diluted net income per share attributable to Lear is computed using the treasury stock method by dividing net income attributable to Lear by the average number of common shares outstanding, including the dilutive effect of common stock equivalents using the average share price during the period.

A summary of information used to compute basic net income per share attributable to Lear is shown below (in millions, except share and per share data):

For the year ended December 31,	2013	2012	2011
Net income attributable to Lear	$ 431.4	$ 1,282.8	$ 540.7
Average common shares outstanding	85,094,889	98,388,228	103,750,223
Basic net income per share attributable to Lear	$ 5.07	$ 13.04	$ 5.21

A summary of information used to compute diluted net income per share attributable to Lear is shown below (in millions, except share and per share data):

For the year ended December 31,	2013	2012	2011
Net income attributable to Lear	$ 431.4	$ 1,282.8	$ 540.7
Average common shares outstanding	85,094,889	98,388,228	103,750,223
Dilutive effect of common stock equivalents	1,320,897	1,437,458	2,594,144
Average diluted shares outstanding	86,415,786	99,825,686	106,344,367
Diluted net income per share attributable to Lear	$ 4.99	$ 12.85	$ 5.08

Comprehensive Income

Comprehensive income is defined as all changes in the Company's net assets except changes resulting from transactions with stockholders. It differs from net income in that certain items recorded in equity are included in comprehensive income.

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A summary of changes in accumulated other comprehensive income (loss), net of tax is shown below (in millions):

For the year ended December 31,	2013	2012	2011
Defined benefit plans:			
Balance at beginning of year	$(249.9)	$(239.1)	$ (57.4)
Reclassification adjustments	11.0	4.2	13.3
Other comprehensive income (loss) recognized during the period	134.4	(15.0)	(195.0)
Balance at end of year	$(104.5)	$(249.9)	$(239.1)
Derivative instruments and hedging activities:			
Balance at beginning of year	$ 2.7	$ (37.6)	$ (1.3)
Reclassification adjustments	(21.0)	2.0	11.9
Other comprehensive income (loss) recognized during the period	13.0	38.3	(48.2)
Balance at end of year	$ (5.3)	$ 2.7	$ (37.6)
Cumulative translation adjustments:			
Balance at beginning of year	$ (53.6)	$ (55.3)	$ (19.3)
Other comprehensive income (loss) recognized during the period	(2.7)	1.7	(36.0)
Balance at end of year	$ (56.3)	$ (53.6)	$ (55.3)

Other comprehensive income (loss) related to the Company's defined benefit plans includes pretax reclassification adjustments of $15.4 million, $5.4 million and $17.7 million for the years ended December 31, 2013, 2012 and 2011, respectively. See Note 8, "Pension and Other Postretirement Benefit Plans." Other comprehensive income (loss) related to the Company's derivative instruments and hedging activities includes pretax reclassification adjustments of ($32.2) million, $3.2 million and $12.6 million for the years ended December 31, 2013, 2012 and 2011, respectively. See Note 13, "Financial Instruments."

Product Warranty

The Company records product warranty reserves based on its individual customer agreements. Product warranty reserves are recorded for known warranty issues when liability for such issues is probable and related amounts are reasonably estimable.

Segment Reporting

The Company has two reportable operating segments: seating, which includes seats and related components, such as seat structures and mechanisms, seat covers, seat foam and headrests, and electrical, which includes electrical distribution systems for both traditional powertrain vehicles, as well as high-power for hybrid and electric vehicles. Key components of the Company's electrical business include wiring harnesses, terminals and connectors, junction boxes, electronic control modules and wireless control devices. The other category includes unallocated costs related to corporate headquarters, regional headquarters and the elimination of intercompany activities, none of which meets the requirements for being classified as an operating segment.

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 automotive 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 1 automotive supplier environment and is continually working with its customers to manage costs and improve quality. The Company's production processes generally make use of hourly labor, dedicated facilities, sequential manufacturing and assembly processes and commodity raw materials.

The Company evaluates the performance of its operating segments based primarily on (i) revenues from external customers, (ii) pretax income before equity in net income of affiliates, interest expense and other expense, ("segment earnings") and (iii) cash flows, being defined as segment earnings less capital expenditures plus depreciation and amortization.

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The accounting policies of the Company's operating segments are the same as those described in this note to the consolidated financial statements.

Derivative Instruments and Hedging Activities

The Company has used derivative financial instruments, including forwards, futures, options, swaps and other derivative contracts to reduce the effects of fluctuations in foreign exchange rates, interest rates and commodity prices and the resulting variability of the Company's operating results. The Company is not a party to leveraged derivatives. The Company's derivative financial instruments are subject to master netting arrangements that provide for the net settlement of contracts, by counterparty, in the event of default or termination. On the date that a derivative contract is entered into, the Company designates the derivative as either (1) a hedge of the exposure to changes in the fair value of a recognized asset or liability or of an unrecognized firm commitment (a fair value hedge), (2) a hedge of the exposure of a forecasted transaction or of the variability in the cash flows of 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 income 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 loss in the consolidated balance sheet. When the underlying hedged transaction is realized, the gain or loss included in accumulated other comprehensive loss is recorded in earnings and reflected in the consolidated statement of income on the same line as the gain or loss on the hedged item attributable to the hedged risk. For a net investment hedge, 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 loss in the consolidated balance sheet. In addition, for both cash flow and net investment hedges, changes in the fair value of the derivative that are excluded from the Company's effectiveness assessments and the ineffective portion of changes in the fair value of the derivative are recorded in earnings and reflected in the consolidated statement of income as other expense, net.

The Company formally documents its hedge relationships, including the identification of the hedging instruments and the related 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. 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 the cash flows of the hedged item. When it is determined that a derivative ceases to be highly effective, the Company discontinues hedge accounting.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP 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 2013, there were no material changes in the methods or policies used to establish estimates and assumptions. Other matters subject to estimation and judgment include amounts related to accounts receivable realization, inventory obsolescence, asset impairments, useful lives of fixed and intangible assets and unsettled pricing discussions with customers and suppliers (Note 2, "Summary of Significant Accounting Policies"); restructuring accruals (Note 4, "Restructuring"); deferred tax asset valuation allowances and income taxes (Note 7, "Income Taxes"); pension and other postretirement benefit plan assumptions (Note 8, "Pension and Other Postretirement Benefit Plans"); accruals related to litigation, warranty and environmental remediation costs (Note 11, "Commitments and Contingencies"); and self-insurance accruals. Actual results may differ significantly from the Company's estimates.

Reclassifications

Certain amounts in prior periods' financial statements have been reclassified to conform to the presentation used in the year ended December 31, 2013.

(3) Acquisition

On May 31, 2012, the Company completed the acquisition of Guilford, which manufactures fabrics for the automotive and specialty markets, for $243.9 million, net of cash acquired. In addition, the Company incurred transaction costs of $5.0 million related to advisory services in 2012, which have been expensed as incurred.

The Guilford acquisition was accounted for as a purchase, and accordingly, the assets acquired and liabilities assumed are included in the accompanying consolidated balance sheet as of December 31, 2013 and 2012. The operating results and cash flows of Guilford are included in the accompanying consolidated financial statements from the date of acquisition. The preliminary purchase price and related allocation are shown below (in millions):

Purchase price paid to former owner, net of cash acquired	$243.9
Property, plant and equipment	$ 89.9
Other assets purchased and liabilities assumed, net	(16.6)
Goodwill	114.6
Intangible assets	56.0
Preliminary purchase price allocation	$243.9

Recognized goodwill is attributable to the assembled workforce, expected synergies and other intangible assets that do not qualify for separate recognition. Intangible assets include amounts recognized for the fair value of customer-based and technology-related assets. The Company estimates that these intangible assets have a weighted average useful life of approximately ten years.

As of the acquisition date, the Company had amounts payable to Guilford of $8.9 million for purchases of raw materials. As a result of the acquisition, these amounts payable were effectively settled at carrying value, which approximated fair value. The purchase price paid to the former owner discussed above excludes cash paid to settle this pre-existing relationship.

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

(4) Restructuring

In 2013, the Company recorded charges of $77.9 million in connection with its restructuring actions. These charges consist of $52.6 million recorded as cost of sales and $25.3 million recorded as selling, general and administrative expenses. The restructuring charges consist of employee termination benefits of $54.1 million, asset impairment charges of $9.2 million and contract termination costs of $2.8 million, as well as other related costs of $11.8 million. Employee termination benefits were recorded based on existing union and employee contracts, statutory requirements, completed negotiations and Company policy. Asset impairment charges relate to the disposal of buildings, leasehold improvements and machinery and equipment with carrying values of $9.2 million in excess of related estimated fair values. Contract termination costs include pension benefit plan settlement charges of $2.5 million and other various costs of $0.3 million. The Company expects to incur approximately $40.2 million of additional restructuring costs related to activities initiated as of December 31, 2013, and expects that the components of such costs will be consistent with its historical experience. Any future restructuring actions will depend upon market conditions, customer actions and other factors.

A summary of 2013 activity, excluding pension benefit plan settlement charges of $2.5 million, is shown below (in millions):

	Accrual as of January 1, 2013	2013 Charges	Utilization		Accrual as of December 31, 2013
			Cash	Non-cash	
Employee termination benefits	$ 38.5	$ 54.1	$(53.9)	$ —	$ 38.7
Asset impairments	—	9.2	—	(9.2)	—
Contract termination costs	5.7	0.3	(0.4)	—	5.6
Other related costs	—	11.8	(11.8)	—	—
Total	$ 44.2	$ 75.4	$(66.1)	$ (9.2)	$ 44.3

In 2012, the Company recorded charges of $55.1 million in connection with its restructuring actions. These charges consist of $44.8 million recorded as cost of sales, $10.4 million recorded as selling, general and administrative expenses and ($0.1) million recorded as other expense, net. The restructuring charges consist of employee termination benefits of $45.4 million, asset impairment charges of $6.0 million and contract termination costs of $1.9 million, as well as other related costs of $1.8 million. Employee termination benefits were recorded based on existing union and employee contracts, statutory requirements, completed negotiations and Company policy. Asset impairment charges relate to the disposal of buildings, leasehold improvements and machinery and equipment with carrying values of $6.0 million in excess of related estimated fair values.

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A summary of 2012 activity is shown below (in millions):

	Accrual as of January 1, 2012	2012 Charges	Utilization Cash	Utilization Non-cash	Accrual as of December 31, 2012
Employee termination benefits	$ 56.8	$ 45.4	$(63.7)	$ —	$ 38.5
Asset impairments	—	6.0	—	(6.0)	—
Contract termination costs	5.7	1.9	(1.9)	—	5.7
Other related costs	—	1.8	(1.8)	—	—
Total	$ 62.5	$ 55.1	$(67.4)	$ (6.0)	$ 44.2

In 2011, the Company recorded charges of $68.2 million in connection with its restructuring actions. These charges consist of $64.3 million recorded as cost of sales, $4.5 million recorded as selling, general and administrative expenses and ($0.6) million recorded as other expense, net. The restructuring charges consist of employee termination benefits of $44.5 million, asset impairment charges of $1.0 million and contract termination costs of $19.6 million, as well as other related costs of $3.1 million. Employee termination benefits were recorded based on existing union and employee contracts, statutory requirements, completed negotiations and Company policy. Asset impairment charges relate to the disposal of buildings, leasehold improvements and machinery and equipment with carrying values of $1.0 million in excess of related estimated fair values. Contract termination costs include pension benefit plan settlement charges of $17.1 million and other various costs of $2.5 million.

A summary of 2011 activity, excluding pension benefit plan settlement charges of $17.1 million, is shown below (in millions):

	Accrual as of January 1, 2011	2011 Charges	Utilization Cash	Utilization Non-cash	Accrual as of December 31, 2011
Employee termination benefits	$ 38.4	$ 44.5	$(26.1)	$ —	$ 56.8
Asset impairments	—	1.0	—	(1.0)	—
Contract termination costs	3.7	2.5	(0.5)	—	5.7
Other related costs	—	3.1	(3.1)	—	—
Total	$ 42.1	$ 51.1	$(29.7)	$ (1.0)	$ 62.5

(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,	2013	2012	2011
Shanghai Lear STEC Automotive Parts Co., Ltd. (China)	55%	55%	55%
Beijing BAI Lear Automotive Systems Co., Ltd. (China)	50	50	50
Beijing Lear Automotive Electronics and Electrical Products Co., Ltd. (China)	50	50	50
Dong Kwang Lear Yuhan Hoesa (Korea)	50	50	50
Industrias Cousin Freres, S.L. (Spain)	50	50	50
Jiangxi Jiangling Lear Interior Systems Co., Ltd. (China)	50	50	50
Lear Dongfeng Automotive Seating Co., Ltd. (China)	50	50	50
Changchun Lear FAWSN Automotive Electrical and Electronics Co., Ltd. (China)	49	49	49
Changchun Lear FAWSN Automotive Seat Systems Co., Ltd. (China)	49	49	49
Honduras Electrical Distribution Systems S. de R.L. de C.V. (Honduras)	49	49	49
Kyungshin-Lear Sales and Engineering LLC	49	49	49
Tacle Seating USA, LLC	49	49	49
Beijing Lear Dymos Automotive Systems Co., Ltd. (China)	40	40	40
Dymos Lear Automotive India Private Limited (India)	35	35	35
RevoLaze, LLC	20	—	—
eLumigen, LLC	15	—	—
HB Polymer Company, LLC	10	—	—
International Automotive Components Group North America, LLC	—	23	23

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Summarized group financial information for affiliates accounted for under the equity method as of December 31, 2013 and 2012, and for the years ended December 31, 2013, 2012 and 2011, is shown below (unaudited; in millions):

December 31,	2013	2012
Balance sheet data:		
Current assets	$767.1	$1,729.8
Non-current assets	143.5	875.3
Current liabilities	548.9	1,395.0
Non-current liabilities	5.8	703.9

For the year ended December 31,	2013	2012	2011
Income statement data:			
Net sales	$1,686.5	$6,240.5	$5,754.5
Gross profit	121.9	452.6	466.6
Income (loss) before provision for income taxes	110.1	(109.0)	91.5
Net income (loss) attributable to affiliates	89.0	(76.1)	56.7

As of December 31, 2013 and 2012, the Company's aggregate investment in affiliates was $172.0 million and $177.8 million, respectively. In addition, the Company had receivables due from affiliates, including notes and advances, of $74.2 million and $45.4 million and payables due to affiliates of $8.8 million and $22.7 million as of December 31, 2013 and 2012, respectively.

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

For the year ended December 31,	2013	2012	2011
Sales to affiliates	$145.1	$ 93.1	$ 96.2
Purchases from affiliates	41.5	141.9	134.0
Management and other fees for services provided to affiliates	22.3	23.0	13.8
Dividends received from affiliates	17.6	14.4	43.6

The Company's investment in Shanghai Lear STEC Automotive Parts Co., Ltd. is accounted for under the equity method as the result of certain approval rights granted to the minority shareholders, including approval of the annual budget, business plan and the appointment or dismissal of management. The Company's investments in eLumigen, LLC and HB Polymer Company, LLC are accounted for under the equity method as the Company's interests in these entities are similar to partnership interests.

2013

In March 2013, the Company completed the sale of its 22.88% ownership interest in International Automotive Components Group North America, LLC for net proceeds of $49.6 million. The Company did not recognize a significant gain or loss related to this transaction. Also in 2013, the Company established investments in RevoLaze, LLC, eLumigen, LLC and HB Polymer Company, LLC.

2011

In March 2011, the Company acquired an additional 44% of TS Lear Automotive Sdn Bhd., an affiliate previously accounted for under the equity method, thereby increasing its ownership interest to 90%. The acquisition was accounted for as a purchase, and the assets purchased and liabilities assumed are reflected in the consolidated balance sheet as of December 31, 2011. Also in 2011, the Company established Changchun Lear FAWSN Automotive Seat Systems Co., Ltd., a joint venture with Changchun FAW Sihuan Group Corporation and Jilin Shouxin Industry Group Stock Company Limited, to manufacture and supply automotive seat assembly systems in China.

(6) Debt

Short-Term Borrowings

The Company utilizes uncommitted lines of credit as needed for its short-term working capital fluctuations. As of December 31, 2013 and 2012, the Company had lines of credit from banks totaling $5.4 million and $6.1 million, respectively, of which no amounts were outstanding and all of which were unused and available, subject to certain restrictions imposed by the Company's senior notes and credit agreement.

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Long-Term Debt

A summary of long-term debt and the related weighted average interest rates is shown below (in millions):

December 31,	2013		2012	
Debt Instrument	Long-Term Debt	Weighted Average Interest Rate	Long-Term Debt	Weighted Average Interest Rate
7.875% Senior Notes due 2018	$ 278.8	8.00%	$ 313.4	8.00%
8.125% Senior Notes due 2020	278.3	8.25%	312.9	8.25%
4.75% Senior Notes due 2023	500.0	4.75%	—	N/A
Long-term debt	$ 1,057.1		$ 626.3	

Senior Notes

As of December 31, 2013, the Company's long-term debt consists of $280 million in aggregate principal amount at maturity of senior unsecured notes due 2018 at a stated coupon rate of 7.875% (the "2018 Notes"), $280 million in aggregate principal amount at maturity of senior unsecured notes due 2020 at a stated coupon rate of 8.125% (the "2020 Notes") and $500 million in aggregate principal amount of senior unsecured notes due 2023 at a stated coupon rate of 4.75% (the "2023 Notes" and together with the 2018 Notes and the 2020 Notes, the "Notes").

The 2018 Notes were priced at 99.276% of par, resulting in a yield to maturity of 8.00%, and the 2020 Notes were priced at 99.164% of par, resulting in a yield to maturity of 8.25%. The 2018 Notes and 2020 Notes were issued on March 26, 2010, and interest on the 2018 Notes and 2020 Notes is payable on March 15 and September 15 of each year. The 2018 Notes mature on March 15, 2018, and the 2020 Notes mature on March 15, 2020.

The Company may redeem all or part of the 2018 Notes and 2020 Notes, at its option, at any time on or after March 15, 2014, in the case of the 2018 Notes, and March 15, 2015, in the case of the 2020 Notes, at the redemption prices set forth below plus accrued and unpaid interest to the redemption date.

Twelve-Month Period Commencing March 15,	2018 Notes	2020 Notes
2014	103.938%	N/A
2015	101.969%	104.063%
2016	100.0%	102.708%
2017	100.0%	101.354%
2018 and thereafter	100.0%	100.0%

In addition, the Company may redeem up to 10% of the original aggregate principal amount of each series of 2018 Notes and 2020 Notes during any 12-month period prior to March 15, 2014, in the case of the 2018 Notes, and March 15, 2015, in the case of the 2020 Notes, at a price equal to 103% of the principal amount thereof, plus accrued and unpaid interest to the redemption date.

Subject to certain limitations, in the event of a change of control of the Company, the Company will be required to make an offer to purchase the 2018 Notes and 2020 Notes at a purchase price equal to 101% of the principal amount of the 2018 Notes and 2020 Notes, plus accrued and unpaid interest to the date of purchase.

On March 26, 2013 and August 24, 2012, the Company redeemed 10% of the original aggregate principal amount of each of the 2018 Notes and 2020 Notes at a redemption price equal to 103% of the principal amount redeemed, plus accrued and unpaid interest to the redemption date. In connection with these transactions, the Company paid $72.1 million in both 2013 and 2012, and recognized losses of $3.6 million and $3.7 million on the partial extinguishment of debt in 2013 and 2012, respectively.

The 2023 Notes were issued on January 17, 2013, and interest on the 2023 Notes is payable on January 15 and July 15 of each year. The 2023 Notes were offered and sold in a private transaction to qualified institutional buyers under Rule 144A and, outside of the United States, pursuant to Regulation S of the Securities Act of 1933, as amended (the "Securities Act"). The 2023 Notes have not been registered under the Securities Act and may not be offered or sold in the United States absent registration or an exemption from the registration requirements of the Securities Act. In connection with the issuance of the 2023 Notes, the Company entered into a registration rights agreement providing, among other things, customary registration rights with respect to the exchange of the 2023 Notes for a new issue of registered notes with substantially identical terms to the

2023 Notes on or before June 2, 2014. The proceeds from the offering of $500 million, net of related issuance costs of $7.4 million, together with the Company's existing sources of liquidity, were used for general corporate purposes, including, without limitation, the redemption of $70 million in aggregate principal amount of the 2018 Notes and 2020 Notes (see above), investments in additional component capabilities and emerging markets and share repurchases under the Company's common stock share repurchase program (see Note 10, "Capital Stock and Equity"). The 2023 Notes mature on January 15, 2023.

The Company may redeem the 2023 Notes, in whole or in part, on or after January 15, 2018, at the redemption prices set forth below, plus accrued and unpaid interest to the redemption date.

Twelve-Month Period Commencing January 15,	2023 Notes
2018	102.375%
2019	101.583%
2020	100.792%
2021 and thereafter	100.0%

Prior to January 15, 2016, the Company may redeem up to 35% of the aggregate principal amount of the 2023 Notes, in an amount not to exceed the amount of net cash proceeds of one or more equity offerings, at a redemption price equal to 104.75% of the aggregate principal amount thereof, plus accrued and unpaid interest to the redemption date, provided that at least 65% of the original aggregate principal amount of the 2023 Notes remains outstanding after the redemption and any such redemption is made within 90 days after the closing of such equity offering. Prior to January 15, 2018, the Company may redeem the 2023 Notes, in whole or in part, at a redemption price equal to 100% of the aggregate principal amount thereof, plus a "make-whole" premium as of, and accrued and unpaid interest to, the redemption date.

The Notes are senior unsecured obligations. The Company's obligations under the Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by certain domestic subsidiaries, which are directly or indirectly 100% owned by Lear. See Note 16, "Supplemental Guarantor Consolidating Financial Statements."

The indenture governing the 2018 Notes and 2020 Notes contains restrictive covenants that, among other things, limit the ability of the Company and its subsidiaries to: (i) incur additional debt, (ii) pay dividends and make other restricted payments, (iii) create or permit certain liens, (iv) issue or sell capital stock of the Company's restricted subsidiaries, (v) use the proceeds from sales of assets and subsidiary stock, (vi) create or permit restrictions on the ability of the Company's restricted subsidiaries to pay dividends or make other distributions to the Company, (vii) enter into transactions with affiliates, (viii) enter into sale and leaseback transactions and (ix) consolidate or merge or sell all or substantially all of the Company's assets. The foregoing limitations are subject to exceptions as set forth in the 2018 Notes and 2020 Notes. In addition, if in the future the 2018 Notes and 2020 Notes have an investment grade credit rating from both Moody's Investors Service and Standard & Poor's Ratings Services and no default has occurred and is continuing, certain of these covenants will, thereafter, no longer apply to the 2018 Notes and 2020 Notes for so long as the 2018 Notes and 2020 Notes have an investment grade credit rating by both rating agencies. The indenture governing the 2018 Notes and 2020 Notes also contains customary events of default.

Subject to certain exceptions, the indenture governing the 2023 Notes contains restrictive covenants that, among other things, limit the ability of the Company to: (i) create or permit certain liens, (ii) enter into sale and leaseback transactions and (iii) consolidate or merge or sell all or substantially all of the Company's assets. The indenture governing the 2023 Notes also provides for customary events of default.

As of December 31, 2013, the Company was in compliance with all covenants under the indentures governing the Notes.

Revolving Credit Facility

On January 30, 2013, the Company amended and restated its senior secured credit agreement (the "revolving credit facility") to, among other things, increase the borrowing capacity from $500 million to $1.0 billion, extend the maturity date to January 30, 2018, and reduce interest rates payable on outstanding borrowings under the facility. As of December 31, 2013, there were no borrowings outstanding under the revolving credit facility. During 2013, aggregate borrowings and repayments under the revolving credit facility were both $518.7 million.

Advances under the revolving credit facility generally bear interest at a variable rate per annum equal to (i) the Eurocurrency Rate (as defined) plus an adjustable margin of 1.0% to 2.25% based on the Company's corporate rating (1.5% as of December 31, 2013), payable on the last day of each applicable interest period but in no event less frequently than quarterly, or (ii) the

Adjusted Base Rate (as defined) plus an adjustable margin of 0.0% to 1.25% based on the Company's corporate rating (0.50% as of December 31, 2013), payable quarterly. A facility fee, which ranges from 0.25% to 0.50% of the total amount committed under the revolving credit facility, is payable annually.

The Company's obligations under the revolving credit facility are secured on a first priority basis by a lien on substantially all of the U.S. assets of the Company and its domestic subsidiaries, as well as 100% of the stock of the Company's domestic subsidiaries and 65% of the stock of certain of the Company's foreign subsidiaries. In addition, obligations under the revolving credit facility are guaranteed, jointly and severally, on a first priority basis, by certain domestic subsidiaries, which are directly or indirectly 100% owned by Lear. See Note 16, "Supplemental Guarantor Consolidating Financial Statements."

The revolving credit facility contains various customary representations, warranties and covenants by the Company, including, without limitation, (i) covenants regarding maximum leverage and minimum interest coverage, (ii) limitations on fundamental changes involving the Company or its subsidiaries and (iii) limitations on indebtedness, liens, investments and restricted payments. As of December 31, 2013, the Company was in compliance with all covenants under the agreement governing the revolving credit facility.

Scheduled Maturities

As of December 31, 2013, scheduled maturities of long-term debt for the five succeeding years are shown below (in millions):

Year	Maturities
2018	$ 280.0

(7) Income Taxes

A summary of consolidated income before provision (benefit) for income taxes and equity in net income of affiliates and the components of provision (benefit) for income taxes is shown below (in millions):

For the year ended December 31,	2013	2012	2011
Consolidated income before provision (benefit) for income taxes and equity in net income of affiliates:			
Domestic	$218.5	$ 289.3	$257.4
Foreign	391.6	359.6	358.3
	$610.1	$ 648.9	$615.7
Domestic provision (benefit) for income taxes:			
Current provision (benefit)	$ 16.8	$ (4.1)	$ 17.6
Deferred provision (benefit)	64.9	(720.8)	4.6
Total domestic provision (benefit)	81.7	(724.9)	22.2
Foreign provision for income taxes:			
Current provision	130.5	59.8	100.6
Deferred provision (benefit)	(19.5)	27.1	(54.0)
Total foreign provision	111.0	86.9	46.6
Provision (benefit) for income taxes	$192.7	$(638.0)	$ 68.8

The domestic provision (benefit) includes withholding taxes related to dividends and royalties paid by the Company's foreign subsidiaries, as well as state and local taxes. In 2012, the domestic benefit includes a tax benefit of $24.2 million related to certain transfer pricing items that are now recognized as a result of the release of the Company's U.S. valuation allowance. The domestic deferred provision (benefit) includes the benefit of prior unrecognized net operating loss carryforwards of $104.8 million and $87.8 million for the years ended December 31, 2012 and 2011, respectively. The foreign deferred provision (benefit) includes the benefit of prior unrecognized net operating loss carryforwards of $4.1 million, $4.6 million and $14.8 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

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 (benefit) for income taxes is shown below (in millions):

For the year ended December 31,	2013	2012	2011
Consolidated income before provision (benefit) for income taxes and equity in net income of affiliates multiplied by the United States federal statutory income tax rate	$213.5	$ 227.1	$215.5
Differences in income taxes on foreign earnings, losses and remittances	(38.7)	1.8	(37.4)
Valuation allowance adjustments	0.2	(764.5)	(60.8)
Tax credits	(16.4)	(43.5)	(30.7)
Tax audits and assessments	2.7	(48.7)	17.6
Increase in tax loss carryforwards (1)	—	—	(22.4)
Increase in valuation allowance related to tax loss carryforwards (1)	—	—	22.4
Other	31.4	(10.2)	(35.4)
Provision (benefit) for income taxes	$192.7	$(638.0)	$ 68.8

(1) Represents the increase in tax loss carryforwards resulting from an international restructuring transaction, which is subject to a full valuation allowance as it is not more likely than not that the deferred tax assets will be realized.

Internal Revenue Code of 1986, as amended ("IRC"), Sections 382 and 383 provide an annual limitation with respect to the ability of a corporation to utilize its U.S. net operating loss, capital loss and tax credit carryforwards (collectively, the "Tax Attributes"), as well as certain built-in-losses, against future U.S. taxable income in the event of a change in ownership. The Company's emergence from Chapter 11 bankruptcy proceedings is considered a change in ownership for purposes of IRC Section 382. The limitation under the IRC is based on the value of the corporation as of the emergence date. As a result, the Company's future U.S. taxable income may not be fully offset by the Tax Attributes if such income exceeds its annual limitation, and the Company may incur a tax liability with respect to such income. In addition, subsequent changes in ownership for purposes of the IRC could further limit the Company's ability to use its Tax Attributes.

For the years ended December 31, 2013, 2012 and 2011, income in foreign jurisdictions with tax holidays was $73.7 million, $99.2 million and $115.8 million, respectively. Such tax holidays generally expire from 2014 through 2025.

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

December 31,	2013	2012
Deferred income tax assets:		
Tax loss carryforwards	$ 690.5	$ 708.3
Tax credit carryforwards	437.2	412.8
Retirement benefit plans	74.3	156.6
Accrued liabilities	133.9	115.8
Self-insurance reserves	9.5	11.3
Current asset basis differences	38.8	30.3
Long-term asset basis differences	(64.5)	(18.0)
Deferred compensation	40.9	33.7
Recoverable customer engineering, development and tooling	(22.2)	(11.4)
Undistributed earnings of foreign subsidiaries	(54.3)	(53.8)
Derivative instruments and hedging	(1.6)	(7.0)
Other	(0.8)	(0.7)
	1,281.7	1,377.9
Valuation allowance	(642.6)	(628.2)
Net deferred income tax asset	$ 639.1	$ 749.7

As of December 31, 2013 and 2012, the valuation allowance with respect to the Company's deferred tax assets was $642.6 million and $628.2 million, respectively, a net increase of $14.4 million.

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Notes to Consolidated Financial Statements (continued)

Concluding that a valuation allowance is not required is difficult when there is significant negative evidence, such as cumulative losses in recent years, which is objective and verifiable. When measuring cumulative losses in recent years, the Company uses a rolling three year period of pretax book income, adjusted for permanent differences between book and taxable income and certain other items. The Company was profitable in the United States in 2012 but remained in a cumulative loss position through the third quarter of 2012. As of December 31, 2012, the Company was no longer in a cumulative loss position. Based on three years of profitability in the United States, as well as a forecast of taxable income in the United States in 2013 and future years, management concluded that it was more likely than not that its net deferred tax assets would be realized. As a result, substantially all of the valuation allowance that had been provided with respect to the net deferred tax assets in the United States was reversed in the fourth quarter of 2012. As of December 31, 2013, the Company continues to maintain a valuation allowance of $36.0 million with respect to certain U.S. deferred tax assets that, due to their nature, are not likely to be realized. In addition, the Company continues to maintain a valuation allowance of $606.6 million with respect to its deferred tax assets in several international jurisdictions.

The classification of the net deferred income tax asset is shown below (in millions):

December 31,	2013	2012
Deferred income tax assets:		
Current	$187.4	$166.0
Long-term	535.9	675.6
Deferred income tax liabilities:		
Current	(23.1)	(19.1)
Long-term	(61.1)	(72.8)
Net deferred income tax asset	$639.1	$749.7

Deferred income taxes have not been provided on $948.0 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 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, 2013, the Company had tax loss carryforwards of $2.3 billion. Of the total tax loss carryforwards, $1.7 billion has no expiration date, and $635.8 million expires between 2014 and 2033. In addition, the Company had tax credit carryforwards of $437.2 million comprised principally of U.S. foreign tax credits, research and development credits and investment tax credits that generally expire between 2014 and 2033. As of December 31, 2013, the deferred tax asset related to domestic net operating loss carryforwards is lower than the actual amount reported on the Company's domestic tax returns by approximately $18.1 million. This difference is the result of tax deductions in excess of financial statement amounts for stock-based compensation. When these amounts are realized, the Company will record the tax benefit as an increase to additional paid in capital.

As of December 31, 2013 and 2012, the Company's gross unrecognized tax benefits were $45.2 million and $34.4 million (excluding interest and penalties), respectively, of which $31.9 million and $34.4 million, respectively, if recognized, would affect the Company's effective tax rate. The gross unrecognized tax benefits are recorded in other long-term liabilities, with the exception of $0.6 million and $7.5 million (excluding interest and penalties), which is recorded in accrued liabilities, in the accompanying consolidated balance sheets as of December 31, 2013 and 2012, respectively.

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Notes to Consolidated Financial Statements (continued)

A summary of the changes in gross unrecognized tax benefits is shown below (in millions):

For the year ended December 31,	2013	2012	2011
Balance at beginning of period	$34.4	$ 49.4	$36.2
Additions based on tax positions related to current year	5.0	5.2	13.8
Additions (reductions) based on tax positions related to prior years	14.3	(18.5)	4.4
Settlements	(6.7)	—	—
Statute expirations	(0.8)	(1.8)	(2.6)
Foreign currency translation	(1.0)	0.1	(2.4)
Balance at end of period	$45.2	$ 34.4	$49.4

The Company recognizes interest and penalties with respect to unrecognized tax benefits as income tax expense. As of December 31, 2013 and 2012, the Company had recorded gross reserves of $6.7 million and $6.2 million (excluding federal benefit where applicable), respectively, related to interest and penalties, of which $6.6 million and $4.4 million, respectively, if recognized, would affect the Company's effective tax rate. For the years ended December 31, 2013, 2012 and 2011, the Company recorded net tax (benefit) expense (including federal benefit where applicable) related to changes in its reserves for interest and penalties of $2.4 million, ($4.1) million and $1.4 million, respectively.

The Company operates in multiple jurisdictions throughout the world, and its tax returns are periodically audited or subject to review by both domestic and foreign tax authorities. During the next twelve months, it is reasonably possible that, as a result of audit settlements, the conclusion of current examinations and the expiration of the statute of limitations in multiple jurisdictions, the Company may decrease the amount of its gross unrecognized tax benefits by approximately $0.6 million, all of which, if recognized, would affect the Company's effective tax rate. The gross unrecognized tax benefits subject to potential decrease involve issues related to transfer pricing and various other tax items in multiple jurisdictions. However, as a result of ongoing examinations, tax proceedings in certain countries, additions to the gross unrecognized tax benefits for positions taken and interest and penalties, if any, arising in 2014, it is not possible to estimate the potential net increase or decrease to the Company's gross unrecognized tax benefits during the next twelve months.

The Company considers its significant tax jurisdictions to include Brazil, Canada, China, Germany, Hungary, Italy, Mexico, Poland, Spain and the United States. The Company or its subsidiaries generally remain subject to income tax examination in certain U.S. state and local jurisdictions for years after 2008. Further, the Company or its subsidiaries remain subject to income tax examination in Mexico and Spain for years after 2005, in Brazil, Hungary and Poland for years after 2007, in Canada and Italy generally for years after 2008, in China and Germany for years after 2009 and in the United States generally for years after 2012.

Legislation

In January 2013, the American Taxpayer Relief Act of 2012 was enacted, which retroactively reinstated and extended various tax provisions applicable to the Company, including the Research & Development Tax Credit. In 2013, the Company recognized a tax benefit of $3.4 million, which reduced the Company's effective tax rate.

(8) 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 and liquidity considerations and local practices.

The Company has postretirement benefit plans covering certain domestic and Canadian employees. The Company's postretirement benefit plans generally provide for the continuation of medical benefits for all eligible employees who complete a specified number of years of service 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.

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Notes to Consolidated Financial Statements (continued)

Obligations and Funded Status

A reconciliation of the change in benefit obligation and the change in plan assets for the years ended December 31, 2013 and 2012, is shown below (in millions):

	Pension				Other Postretirement			
	December 31, 2013		December 31, 2012		December 31, 2013		December 31, 2012	
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
Change in benefit obligation:								
Benefit obligation at beginning of period	$656.3	$509.2	$ 533.9	$ 416.1	$102.0	$ 73.8	$ 113.0	$ 70.9
Service cost	2.9	10.2	3.2	9.6	0.1	1.1	0.5	1.0
Interest cost	26.2	20.7	25.4	21.0	3.6	2.0	4.4	3.2
Amendments and settlements	—	(13.8)	—	—	—	(25.5)	(3.2)	(3.3)
Actuarial (gain) loss	(79.9)	(24.3)	28.9	14.2	(8.4)	(2.5)	(6.9)	1.5
Benefits paid	(18.8)	(22.8)	(22.2)	(21.6)	(5.7)	(2.4)	(5.8)	(1.9)
Acquisition and other	—	—	87.1	55.5	—	—	—	—
Special termination benefits	—	0.1	—	—	—	0.8	—	0.3
Translation adjustment	—	(19.8)	—	14.4	—	(4.9)	—	2.1
Benefit obligation at end of period	$586.7	$459.5	$ 656.3	$ 509.2	$ 91.6	$ 42.4	$ 102.0	$ 73.8

	Pension				Other Postretirement			
	December 31, 2013		December 31, 2012		December 31, 2013		December 31, 2012	
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
Change in plan assets:								
Fair value of plan assets at beginning of period	$417.6	$390.6	$ 329.9	$ 314.0	$ —	$ —	$ —	$ —
Acquisition and other	—	—	46.8	37.8	—	—	—	—
Actual return on plan assets	79.1	57.6	46.3	31.2	—	—	—	—
Employer contributions	25.6	27.4	16.8	18.0	5.7	2.4	5.8	1.9
Benefits paid	(18.8)	(22.8)	(22.2)	(21.6)	(5.7)	(2.4)	(5.8)	(1.9)
Settlements	—	(13.8)	—	—	—	—	—	—
Translation adjustment	—	(22.0)	—	11.2	—	—	—	—
Fair value of plan assets at end of period	$503.5	$417.0	$ 417.6	$ 390.6	$ —	$ —	$ —	$ —
Funded status	$ (83.2)	$ (42.5)	$(238.7)	$(118.6)	$(91.6)	$ (42.4)	$(102.0)	$(73.8)

	Pension				Other Postretirement			
	December 31, 2013		December 31, 2012		December 31, 2013		December 31, 2012	
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
Amounts recognized in the consolidated balance sheet:								
Other long-term assets	$ 0.3	$ 62.7	$ —	$ 7.2	$ —	$ —	$ —	$ —
Accrued liabilities	(2.3)	(3.5)	(1.7)	(3.3)	(6.9)	(2.3)	(6.8)	(2.9)
Other long-term liabilities	(81.2)	(101.7)	(237.0)	(122.5)	(84.7)	(40.1)	(95.2)	(70.9)

In 2013, the Company settled foreign defined benefit pension obligations related to the closure of a foreign facility in 2010. In 2011, the Company settled foreign defined benefit pension obligations related to the closure of a foreign facility in 2008. These settlement transactions were subject to and in accordance with regulatory requirements and were accomplished through both the purchase of individual non-participating life annuity contracts and lump-sum payments made directly to plan participants by the plans' trust. In conjunction with these settlement transactions, the Company recognized settlement losses of $2.5 million and $17.1 million in 2013 and 2011, respectively, as disclosed in Note 4, "Restructuring," and in "— Net Periodic Benefit Cost (Credit)" below.

As of December 31, 2013 and 2012, the accumulated benefit obligation for all of the Company's pension plans was $1,031.7 million and $1,151.7 million, respectively. As of December 31, 2013 and 2012, the majority of the Company's pension plans had accumulated benefit obligations in excess of plan assets. The projected benefit obligation, the accumulated benefit

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

obligation and the fair value of plan assets of pension plans with accumulated benefit obligations in excess of plan assets were $731.1 million, $717.5 million and $542.3 million, respectively, as of December 31, 2013, and $1,109.6 million, $1,095.8 million and $745.1 million, respectively, as of December 31, 2012.

Other Comprehensive Income (Loss) and Accumulated Other Comprehensive Loss

Pretax amounts recognized in other comprehensive income (loss) for the years ended December 31, 2013 and 2012, are shown below (in millions):

	Pension				Other Postretirement			
	December 31, 2013		December 31, 2012		December 31, 2013		December 31, 2012	
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
Actuarial gains (losses) recognized:								
Reclassification adjustments	$ 4.1	$ 8.9	$ 4.5	$ 5.8	$ (0.1)	$ 2.9	$ (1.8)	$ 0.3
Actuarial gain (loss) arising during the period	126.6	55.9	(11.0)	(14.3)	8.4	2.5	6.9	(1.5)
Prior service (cost) credit recognized:								
Reclassification adjustments	—	—	—	—	—	(0.4)	(3.2)	(0.2)
Prior service credit arising during the period	—	—	—	—	—	—	3.2	3.3
Translation adjustment	—	6.6	—	(3.1)	—	0.5	—	(0.3)
	$130.7	$ 71.4	$ (6.5)	$ (11.6)	$ 8.3	$ 5.5	$ 5.1	$ 1.6

In addition, the Company recognized tax benefits (expense) in other comprehensive income (loss) related to its defined benefit plans of ($70.1) million, $2.8 million and $19.8 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Pretax amounts recorded in accumulated other comprehensive loss not yet recognized in net periodic benefit cost as of December 31, 2013 and 2012, are shown below (in millions):

	Pension				Other Postretirement			
	December 31, 2013		December 31, 2012		December 31, 2013		December 31, 2012	
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
Net unrecognized actuarial gain (loss)	$(14.2)	$ (50.1)	$(144.9)	$(121.5)	$ 4.4	$ (4.9)	$ (3.9)	$ (11.0)
Prior service credit	—	—	—	—	—	2.5	—	3.1
	$(14.2)	$ (50.1)	$(144.9)	$(121.5)	$ 4.4	$ (2.4)	$ (3.9)	$ (7.9)

Pretax amounts recorded in accumulated other comprehensive loss as of December 31, 2013, that are expected to be recognized as components of net periodic benefit cost in the year ending December 31, 2014, are shown below (in millions):

	Pension		Other Postretirement	
	U.S.	Foreign	U.S.	Foreign
Net unrecognized actuarial gain (loss)	$ 0.3	$ (1.3)	$ 0.7	$ (0.1)
Prior service credit	—	—	—	0.4
	$ 0.3	$ (1.3)	$ 0.7	$ 0.3

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Net Periodic Pension and Other Postretirement Benefit Cost

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

Pension	Year Ended December 31,					
	2013		2012		2011	
	U.S.	Foreign	U.S	Foreign	U.S.	Foreign
Service cost	$ 2.9	$ 10.2	$ 3.2	$ 9.6	$ 2.9	$ 6.6
Interest cost	26.2	20.7	25.4	21.0	23.4	24.3
Expected return on plan assets	(32.4)	(25.1)	(28.4)	(23.1)	(26.2)	(30.3)
Amortization of actuarial loss	4.1	6.4	3.9	5.8	—	0.3
Settlement (gain) loss	—	2.5	0.6	—	(0.1)	17.1
Net periodic benefit cost	$ 0.8	$ 14.7	$ 4.7	$ 13.3	$ —	$ 18.0

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

Other Postretirement	Year Ended December 31,					
	2013		2012		2011	
	U.S.	Foreign	U.S	Foreign	U.S.	Foreign
Service cost	$ 0.1	$ 1.1	$ 0.5	$ 1.0	$ 0.4	$ 1.1
Interest cost	3.6	2.0	4.4	3.2	5.4	3.8
Amortization of actuarial (gain) loss	(0.1)	0.3	0.3	0.3	0.3	0.1
Amortization of prior service credit	—	(0.4)	—	(0.2)	—	—
Special termination benefits	—	0.7	—	0.4	—	0.1
Settlement gain	—	(5.9)	(5.4)	—	—	—
Net periodic benefit cost (credit)	$ 3.6	$ (2.2)	$(0.2)	$ 4.7	$ 6.1	$ 5.1

For the years ended December 31, 2013 and 2011, the Company recognized settlement losses of $2.5 million and $17.1 million, respectively, related to its restructuring actions (Note 4, "Restructuring").

Assumptions

The weighted average actuarial assumptions used in determining the benefit obligations are shown below:

December 31,	Pension		Other Postretirement	
	2013	2012	2013	2012
Discount rate:				
Domestic plans	5.0%	4.1%	4.5%	3.7%
Foreign plans	4.6%	4.3%	5.0%	4.4%
Rate of compensation increase:				
Foreign plans	4.1%	4.2%	N/A	N/A

The weighted average actuarial assumptions used in determining the net periodic benefit cost are shown below:

For the year ended December 31,	2013	2012	2011
Pension			
Discount rate:			
Domestic plans	4.1%	4.5%	5.5%
Foreign plans	4.3%	4.8%	5.2%
Expected return on plan assets:			
Domestic plans	8.0%	8.0%	8.0%
Foreign plans	6.7%	6.7%	6.9%
Rate of compensation increase:			
Foreign plans	4.8%	5.2%	3.6%
Other postretirement			
Discount rate:			
Domestic plans	3.7%	4.0%	5.0%
Foreign plans	4.4%	4.5%	5.6%

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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.

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 by $18.5 million as of December 31, 2013, and increase the net periodic postretirement benefit cost by $1.9 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 by $15.1 million as of December 31, 2013, and decrease the net periodic postretirement benefit cost by $1.5 million for the year then ended.

For the measurement of postretirement benefit obligation as of December 31, 2013, domestic healthcare costs were assumed to increase 7.6% in 2014, grading down over time to 4.5% in 2021. Foreign healthcare costs were assumed to increase 5.8% in 2014, grading down over time to 4.5% in 2031 on a weighted average basis.

Plan Assets

With the exception of alternative investments, plan assets are valued at fair value using a market approach and observable inputs, such as quoted market prices in active markets (Level 1 and Level 2 inputs based on the GAAP fair value hierarchy). Alternative investments are valued at fair value based on net asset per share or unit provided for each investment fund (Level 2 input based on the GAAP fair value hierarchy). For further information on the GAAP fair value hierarchy, see Note 13, "Financial Instruments."

The Company's pension plan assets by asset category are shown below (in millions). Pension plan assets for the foreign plans relate to the Company's pension plans in Canada and the United Kingdom.

December 31,	2013	2012
Equity securities:		
Domestic plans	$321.2	$245.2
Foreign plans	237.4	215.9
Debt securities:		
Domestic plans	114.6	118.4
Foreign plans	125.7	136.4
Alternative investments:		
Domestic plans	51.0	45.1
Foreign plans	31.5	28.1
Cash and other:		
Domestic plans	16.7	8.9
Foreign plans	22.4	10.2

The Company's investment policies incorporate an asset allocation strategy that emphasizes the long-term growth of capital. The Company believes that 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 50% - 75% of plan assets, a fixed income allocation of 15% - 40%, an alternative investment allocation of 0% - 30% and a cash allocation of 0% - 10%. For the foreign portfolio, the Company targets an equity allocation of 45% - 65% of plan assets, a fixed income allocation of 30% - 40%, an alternative investment allocation of 0% - 20% 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. Excluding alternative investments, mutual funds and ETF funds, retained investment managers are provided investment guidelines that indicate prohibited assets, which include commodities contracts, futures contracts, options, venture capital, real estate, interest-only or principal-only strips and investments in the Company's own debt or equity. Derivative instruments are also prohibited without the specific approval of the Company. Investment managers are limited in the

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Notes to Consolidated Financial Statements (continued)

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 indices 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 indices by a reasonable spread over the relevant investment horizon.

Contributions

The Company expects contributions to its domestic and foreign pension plans to be approximately $20 to $25 million in 2014. The Company may elect to make contributions in excess of minimum funding requirements in response to investment performance or changes in interest rates or when the Company believes that it is financially advantageous to do so and based on its other cash requirements. The Company's minimum funding requirements after 2014 will depend on several factors, including investment performance and interest rates. The Company's minimum funding requirements may also be affected by changes in applicable legal requirements.

Benefit Payments

As of December 31, 2013, the Company's estimate of expected benefit payments, excluding expected settlements relating to its restructuring actions, in each of the five succeeding years and in the aggregate for the five years thereafter are shown below (in millions):

	Pension		Other Postretirement	
Year	U.S.	Foreign	U.S.	Foreign
2014	22.6	19.3	6.9	2.3
2015	23.7	19.0	7.0	1.4
2016	24.9	19.4	7.1	1.4
2017	25.8	20.2	7.0	1.5
2018	26.3	20.5	6.9	1.6
Five years thereafter	154.4	118.0	33.1	10.1

Multi-Employer Pension Plans

The Company currently participates in two multi-employer pension plans, the U.A.W. Labor-Management Group Pension Plan and UNITE Here National Retirement Fund, for certain of its employees. Contributions to these plans are based on three collective bargaining agreements. Two of the agreements expire on July 1, 2016**,** and one expires on April 23, 2015. Detailed information related to these plans is shown below (amounts in millions):

	Pension Protection Act Zone Status				Contributions to Multiemployer Pension Plans		
Employer Identification Number	December 31, 2013 Certification	December 31, 2012 Certification	FIP/RP Pending or Implemented	Surcharge	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
516099782-001	Unavailable (1)	Unavailable (1)	No	No	$ 0.4	$ 0.5	$ 0.5 (3)
13-6130178	Unavailable (2)	Unavailable (2)	Yes	Yes	0.2	0.1	—

(1) As of December 31, 2012, the date of the most recent plan financial statements provided, total plan assets exceeded the plan accumulated benefit obligation.
(2) As of December 31, 2011, the date of the most recent plan financial statements provided, total plan assets were less than 65% of the plan accumulated benefit obligation.
(3) Contributions made by the Company represent more than 5% of total contributions.

Defined Contribution Plan

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. For the years ended December 31, 2013, 2012 and 2011, the aggregate cost of the defined contribution pension plans was $11.1 million, $7.6 million and $7.4 million, respectively.

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Notes to Consolidated Financial Statements (continued)

The Company also has a defined contribution retirement program for its salaried employees. Contributions to this program are determined as a percentage of each covered employee's eligible compensation. For the years ended December 31, 2013, 2012 and 2011, the Company recorded expense of $16.4 million, $13.4 million and $14.8 million, respectively, related to this program.

(9) Capital Stock and Equity

Common Stock

The Company is authorized to issue up to 300,000,000 shares of Common Stock. The Company's Common Stock is listed on the New York Stock Exchange under the symbol "LEA" and has the following rights and privileges:

- *Voting Rights* – All shares of the Company's common stock have identical rights and privileges. With limited exceptions, holders of common stock are entitled to one vote for each outstanding share of common stock held of record by each stockholder on all matters properly submitted for the vote of the Company's stockholders.
- *Dividend Rights* – Subject to applicable law, any contractual restrictions and the rights of the holders of outstanding preferred stock, if any, holders of common stock are entitled to receive ratably such dividends and other distributions that the Company's Board of Directors, in its discretion, declares from time to time.
- *Liquidation Rights* – Upon the dissolution, liquidation or winding up of the Company, subject to the rights of the holders of outstanding preferred stock, if any, holders of common stock are entitled to receive ratably the assets of the Company available for distribution to the Company's stockholders in proportion to the number of shares of common stock held by each stockholder.
- *Conversion, Redemption and Preemptive Rights* – Holders of common stock have no conversion, redemption, sinking fund, preemptive, subscription or similar rights.

Common Stock Share Repurchase Program

In January 2013, the Company's Board of Directors authorized an increase of $800 million to the Company's existing common stock share repurchase program, which permits the discretionary repurchase of the Company's common stock, to provide for aggregate repurchases of $1.5 billion and extended the term of the program to January 10, 2016. In February 2013, the Board of Directors authorized the Company to increase the pace of its common stock share repurchase program in order to complete $600 million in share repurchases in 2013. Subsequent to this action, the Company received notice from certain of its stockholders, Marcato Capital Management LLC, Oskie Capital Management and their affiliates (together, the "Marcato-Oskie Group"), that they intended to nominate three directors for election and propose certain other business at the Company's 2013 annual meeting of stockholders. Following discussions with the Marcato-Oskie Group and continued review of the Company's capital structure by the Board of Directors, in April 2013, the Company and the Marcato-Oskie Group entered into an agreement pursuant to which, among other things, the Marcato-Oskie Group agreed to withdraw its director nominees and the Company agreed to appoint a ninth director who is mutually acceptable to the Company and the Marcato-Oskie Group, as promptly as practicable following the Company's 2013 annual meeting of stockholders. On September 26, 2013, the Company appointed Richard H. Bott to the Board of Directors of the Company.

In addition, pursuant to the agreement reached with the Marcato-Oskie Group, the Board of Directors authorized a further acceleration of the Company's existing common stock share repurchase program so that the program will be completed no later than March 2014. Under the terms of the agreement, the Board of Directors approved a new two-year common stock share repurchase authorization of $750 million to commence immediately following the completion of the current authorization.

On April 25, 2013, the Company entered into an accelerated stock repurchase ("ASR") agreement with a third-party financial institution to repurchase $800 million of its common stock. In the second quarter of 2013, the Company paid $800 million to the financial institution, using cash on-hand, and received an initial delivery of 11,862,836 shares. This initial share delivery represented 80% of the ASR transaction's value at the then-current price of $53.95 per share. These shares have been included in common stock held in treasury as of the applicable delivery date. The remaining 20% of the ASR transaction's value, or $160 million, has been included in additional paid-in-capital in the accompanying consolidated balance sheet as of December 31, 2013, and will be transferred to common stock held in treasury upon settlement of the ASR transaction. The ultimate number of shares to be repurchased and the final price paid per share under the ASR transaction will be based on the daily volume weighted average price of the Company's common stock during the term of the ASR agreement, less an agreed upon discount. At settlement, if the ultimate number of shares to be repurchased exceeds the 11,862,836 shares initially delivered, the Company will receive additional shares from the financial institution. If the ultimate number of shares to be repurchased is less than the 11,862,836 shares initially delivered, the Company has the contractual right to either deliver additional shares or cash equal to the value of those shares to the financial institution. The ASR transaction is expected to be completed no later than March 2014. As of December 31, 2013, the number of shares to be repurchased is less than the 11,862,836 shares initially delivered based on the discounted daily volume weighted average price of the Company's common stock through December 31, 2013. The Company has included these potentially issuable shares in its average diluted shares outstanding for the year ended December 31, 2013.

The Company has a remaining repurchase authorization of $750 million under its common stock share repurchase program, which will terminate two years after the completion of the ASR transaction. The Company may implement these share repurchases through a variety of methods, including open market purchases, accelerated stock repurchase programs and structured repurchase transactions. The extent to which the Company will repurchase its outstanding common stock and the timing of such repurchases will depend upon its financial condition, prevailing market conditions, alternative uses of capital and other factors. In addition, the Company's amended and restated credit facility and the indenture governing the 2018 Notes and 2020 Notes place certain limitations on the Company's ability to repurchase its common shares.

Since the first quarter of 2011, the Company has paid $1.5 billion, in aggregate and inclusive of the $800 million ASR transaction, for repurchases of its outstanding common stock, excluding commissions and related fees. In 2013, the Company paid $1.0 billion, in aggregate, for repurchases of its outstanding common stock (15,533,758 shares repurchased, including the initial delivery of shares under the ASR transaction, at an average purchase price of $54.08, excluding commissions and fees). In 2012, the Company paid $222.8 million, in aggregate, for repurchases of its outstanding common stock (5,357,443 shares repurchased at an average purchase price of $41.59 per share, excluding commissions).

In addition to shares repurchased under the Company's common stock share repurchase program described above, the Company classified shares withheld from the settlement of the Company's restricted stock unit awards to cover minimum tax withholding requirements as common stock held in treasury in the accompanying consolidated balance sheets as of December 31, 2013 and December 31, 2012.

In December 2013, the Company's Board of Directors approved the retirement of 20 million shares of common stock held in treasury. These retired shares are reflected as authorized, but not issued, in the accompanying consolidated balance sheet as of December 31, 2013. The retirement of shares held in treasury resulted in a reduction in the par value of common stock, additional paid-in capital and retained earnings of $0.2 million, $389.7 million and $600.7 million, respectively. These reductions were offset by a corresponding reduction in shares held in treasury of $990.6 million. Accordingly, there was no effect on stockholders' equity as a result of this transaction.

Quarterly Dividend

On February 7, 2014, the Company's Board of Directors declared a quarterly cash dividend of $0.20 per share of common stock, payable on March 20, 2014, to shareholders of record at the close of business on February 28, 2014.

In 2013 and 2012, the Company's Board of Directors declared quarterly cash dividends of $0.17 and $0.14 per share of common stock, respectively. In 2013, declared dividends totaled $59.4 million, and dividends paid totaled $58.4 million. In 2012, declared dividends totaled $56.1 million, and dividends paid totaled $54.6 million. In 2011, declared dividends totaled $52.9 million, and dividends paid totaled $51.1 million. Dividends payable on common shares to be distributed under the Company's stock-based compensation program and common shares contemplated as part of the Company's emergence from Chapter 11 bankruptcy proceedings will be paid when such common shares are distributed.

Warrants

As of December 31, 2013 and 2012, there were 279,094 and 377,091 warrants outstanding, respectively, exercisable into 558,188 and 754,182 shares of common stock, respectively. In accordance with GAAP, the Company accounts for the warrants as equity instruments. The following is a description of the warrants:

- *Exercise* – Each warrant entitles its holder to purchase two shares of common stock at an exercise price of $0.005 per share of common stock, subject to adjustment. All warrants are exercisable until November 9, 2014 (warrant expiration date).

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- *No Rights as Stockholders* – Prior to the exercise of the warrants, no holder of warrants (solely in its capacity as a holder of warrants) is entitled to any rights as a stockholder of the Company, including, without limitation, the right to vote, receive notice of any meeting of stockholders or receive dividends, allotments or other distributions.
- *Adjustments* – The number of shares of common stock for which a warrant is exercisable, the exercise price and the trigger price (as defined in the warrant agreement) will be subject to adjustment from time to time upon the occurrence of certain events, including an increase in the number of outstanding shares of common stock by means of a dividend consisting of shares of common stock, a subdivision of the Company's outstanding shares of common stock into a larger number of shares of common stock or a combination of the Company's outstanding shares of common stock into a smaller number of shares of common stock. In addition, upon the occurrence of certain events constituting a reorganization, recapitalization, reclassification, consolidation, merger or similar event, each holder of a warrant will have the right to receive, upon exercise of a warrant (if then exercisable), an amount of securities, cash or other property receivable by a holder of the number of shares of common stock for which a warrant is exercisable immediately prior to such event.

Noncontrolling Interests

In 2013 and 2012, the Company acquired noncontrolling interests in certain of its consolidated subsidiaries. In 2011, the Company acquired a controlling interest in an affiliate previously accounted for under the equity method.

(10) Stock-Based Compensation

The Company adopted the Lear Corporation 2009 Long-Term Stock Incentive Plan as of November 9, 2009 (as amended, the "2009 LTSIP"). The 2009 LTSIP reserves 11,815,748 shares of common stock for issuance under stock option, restricted stock, restricted stock unit, restricted unit, performance share, performance unit and stock appreciation right awards.

Under the 2009 LTSIP, the Company has granted restricted stock units and performance shares to certain of its employees. The restricted stock units and performance shares generally vest in three years following the grant date. For the years ended December 31, 2013, 2012 and 2011, the Company recognized compensation expense related to the restricted stock unit and performance share awards of $58.4 million, $38.9 million and $33.6 million, respectively. Unrecognized compensation expense related to the restricted stock unit and performance share awards of $54.5 million will be recognized over the next 1.5 years on a weighted average basis. In accordance with the provisions of the restricted stock unit and performance share awards, the Company withholds shares from the settlement of such awards to cover minimum statutory tax withholding requirements. The withheld shares are classified as common stock held in treasury in the accompanying consolidated balance sheets as of December 31, 2013 and 2012. A summary of restricted stock unit and performance share transactions for the year ended December 31, 2013, is shown below:

	Restricted Stock Units	Performance Shares
Outstanding as of December 31, 2012	669,459	2,190,778
Granted	320,318	1,327,478
Distributed (vested)	(207,468)	—
Cancelled	(20,886)	(188,038)
Outstanding as of December 31, 2013 (1)	761,423	3,330,218
Vested or expected to vest as of December 31, 2013	761,423	2,258,631

(1) Outstanding performance shares are reflected at the maximum possible payout that may be earned during the relevant performance periods.

The grant date fair values of restricted stock units and performance shares are based on the share price on the grant date. The weighted average grant date fair value of restricted stock units granted in 2013, 2012 and 2011 was $56.69, $43.23 and $54.88, respectively. The weighted average grant date fair value of performance shares granted in 2013, 2012 and 2011 was $51.03, $45.21 and $55.15, respectively.

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(11) Commitments and Contingencies

Legal and Other Contingencies

As of December 31, 2013 and 2012, the Company had recorded reserves for pending legal disputes, including commercial disputes and other matters, of $17.5 million and $12.8 million, respectively. Such reserves reflect amounts recognized in accordance with GAAP and typically exclude the cost of legal representation. Product liability and warranty reserves are recorded separately from legal reserves, as described below.

On October 5, 2011, a plaintiff filed a putative class action complaint in the United States District Court for the Eastern District of Michigan against the Company and several other global suppliers of automotive wire harnesses alleging violations of federal and state antitrust and related laws. Since that time, a number of other plaintiffs have filed substantially similar class action complaints against the Company and these and other suppliers and individuals in a number of different federal district courts, and it is possible that additional similar lawsuits may be filed in the future. Plaintiffs purport to be direct and indirect purchasers of automotive wire harnesses supplied by the Company and/or the other defendants during the relevant period. The complaints allege that the defendants conspired to fix prices at which automotive wire harnesses were sold and that this had an anticompetitive effect upon interstate commerce in the United States. The complaints further allege that defendants fraudulently concealed their alleged conspiracy. The plaintiffs in these proceedings seek injunctive relief and recovery of an unspecified amount of damages, as well as costs and expenses relating to the proceedings, including attorneys' fees. On February 7, 2012, the Judicial Panel on Multidistrict Litigation entered an order transferring and coordinating the various civil actions, for pretrial purposes, into one proceeding in the United States District Court for the Eastern District of Michigan. On May 14, 2012, three purported classes of plaintiffs — direct purchasers of automotive wire harnesses; automotive dealers that indirectly purchased automotive wire harnesses or vehicles containing such harnesses; and indirect purchasers that purchased or leased vehicles containing automotive wire harnesses (or purchased replacement automotive wire harnesses for their vehicles) — filed consolidated amended complaints in the consolidated proceeding. With respect to the Company, the consolidated amended complaints are substantially similar to the individual complaints that had been filed in the various jurisdictions. On July 13, 2012, the Company filed a motion to have these actions dismissed. On June 6, 2013, the District Court entered an order denying the Company's motion to dismiss and, on September 6, 2013, denied the Company's motion to certify the June 6, 2013, order for interlocutory appeal.

Beginning in early 2012, putative class action complaints were filed in the Superior Courts of Justice in Ontario, Quebec and British Columbia against the Company and several other global suppliers of automotive wire harnesses alleging violations of Canadian laws related to competition. The allegations in the complaints are substantially similar to those complaints that have been filed in the United States.

On November 17, 2011, the Company filed a motion with the United States Bankruptcy Court for the Southern District of New York seeking entry of an order enforcing the Company's 2009 Plan of Reorganization and directing dismissal of the pending class action complaints. The bankruptcy court heard oral argument on the motion and, on February 10, 2012, ruled that claims against the Company alleging violation of antitrust law are enjoined to the extent that they arose prior to the Company's emergence from Chapter 11 bankruptcy proceedings on November 9, 2009. The bankruptcy court further held that the District Court was the appropriate forum to address antitrust claims arising after the Company's emergence from Chapter 11 bankruptcy proceedings. The Company appealed the bankruptcy court's decision on this issue, and in November 2012, the appellate court ruled in favor of the Company and remanded for consideration by the bankruptcy court the possible effects of certain alleged antitrust claims arising after November 9, 2009. This issue was stayed by the bankruptcy court until a decision was entered with respect to the Company's motion to dismiss the underlying class action complaints in the United States District Court for the Eastern District of Michigan. Following the order entered by the District Court on June 6, 2013, denying the Company's motion to dismiss, the Company renewed its request that the bankruptcy court enjoin the antitrust class action plaintiffs, and any similarly situated potential plaintiffs, from seeking damages against the Company for the period prior to November 9, 2009. The bankruptcy court heard oral argument on this matter on September 10, 2013.

The ultimate outcome of this litigation, and consequently, an estimate of the possible loss, if any, related to this litigation, cannot reasonably be determined at this time. However, the Company believes the plaintiffs' allegations against it are without merit and intends to continue to vigorously defend itself in these proceedings.

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Commercial Disputes

The Company is involved from time to time in legal proceedings and claims, including, without limitation, commercial or contractual disputes with its customers, suppliers and competitors. These disputes vary in nature and are usually resolved by negotiations between the parties.

Product Liability and Warranty 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. Such lawsuits generally seek compensatory damages, punitive damages and attorneys' fees and costs. In addition, the Company is a party to warranty-sharing and other agreements with certain of its customers related 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, allegedly defective products may be supplied by Tier 2 suppliers. The Company may seek recovery from its suppliers of materials or services included within the Company's products that are associated with product liability and warranty claims. 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. Future dispositions with respect to the Company's product liability claims that were subject to compromise under the Chapter 11 bankruptcy proceedings will be satisfied out of a common stock and warrant reserve established for that purpose.

The Company records product warranty reserves based on its individual customer agreements. Product warranty reserves are recorded for known warranty issues when liability for such issues is probable and related amounts are reasonably estimable.

A summary of the changes in reserves for product liability and warranty claims for each of the periods in the two years ended December 31, 2013, is shown below (in millions):

Balance as of January 1, 2012	$23.4
Expense, net, including changes in estimates	5.3
Settlements	(7.3)
Foreign currency translation and other	1.3
Balance as of December 31, 2012	$22.7
Expense, net, including changes in estimates	15.2
Settlements	(9.1)
Foreign currency translation and other	(0.5)
Balance as of December 31, 2013	$28.3

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 with this standard. 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 the Company's acquisition of UT Automotive. UTC manages and directly funds these environmental liabilities pursuant to its agreements and indemnities with the Company.

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

As of December 31, 2013 and December 31, 2012, the Company had recorded environmental reserves of $5.0 million and $5.2 million, respectively. The Company does not believe that the environmental liabilities associated with its current and former properties will have a material adverse impact on its business, financial condition, results of operations or cash flows; however, no assurances can be given in this regard.

Other Matters

The Company is involved from time to time in various other legal proceedings and claims, including, without limitation, intellectual property matters, 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 claims in which the Company is currently involved, either individually or in the aggregate, will have a material adverse impact on its business, financial condition, results of operations or cash flows. However, no assurances can be given in this regard.

Although the Company records reserves for legal disputes, product liability and warranty claims and environmental and other matters in accordance with GAAP, the ultimate outcomes of these matters are inherently uncertain. Actual results may differ significantly from current estimates.

Insurance Recoveries

The Company has incurred losses and incremental costs related to the destruction of assets caused by a fire at one of its European production facilities in the third quarter of 2011. During the fourth quarter of 2012, the Company reached a settlement for the recovery of such costs under applicable insurance policies. Anticipated proceeds from insurance recoveries related to losses and incremental costs that have been incurred (“loss recoveries”) are recognized when receipt is probable. Anticipated proceeds from insurance recoveries in excess of the net book value of destroyed property, plant and equipment (“insurance gain contingencies”) are recognized when all contingencies related to the claim have been resolved. Loss recoveries related to the destruction of inventory and incremental costs are included in costs of sales, and loss recoveries and insurance gain contingencies related to the destruction of property, plant and equipment are included in other expense, net. Cash proceeds related to the destruction of inventory and incremental costs are included in cash flows from operating activities, and cash proceeds related to the destruction of property, plant and equipment are included in cash flows from investing activities.

Since the fire in the third quarter of 2011, the Company incurred cumulative losses and incremental costs of $65.7 million ($7.3 million incurred in 2013; $34.4 million incurred in 2012; and $24.0 million incurred in 2011). The Company also recognized in cost of sales cumulative recoveries of $59.1 million ($49.0 million recognized in 2012; and $10.1 million recognized in 2011) and in other expense cumulative recoveries and gains of $29.9 million ($26.5 million recognized in 2012; and $3.4 million recognized in 2011). In addition, the Company received cumulative cash proceeds of $89.0 million ($10.0 million received in 2013; $66.4 million received in 2012; and $12.6 million received in 2011), of which $59.1 million ($2.9 million received in 2013; $47.2 million received in 2012; and $9.0 million received in 2011) has been reflected in cash flows from operating activities and $29.8 million ($7.1 million received in 2013; $19.2 million received in 2012; and $3.5 million received in 2011) has been reflected in cash flows from investing activities.

Employees

Approximately 51% of the Company’s employees are members of industrial trade unions and are employed under the terms of various labor agreements. Labor agreements covering approximately 87% of the Company’s unionized workforce of approximately 61,000 employees, including approximately 28% of the Company’s unionized workforce in the United States and Canada, are scheduled to expire in 2014. Management does not anticipate any significant difficulties with respect to the renewal of these agreements.

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Lease Commitments

A summary of lease commitments as of December 31, 2013, under non-cancelable operating leases with terms exceeding one year is shown below (in millions):

2014	90.1
2015	68.8
2016	59.1
2017	52.3
2018	45.8
2019 and thereafter	74.3
Total	$390.4

The Company's operating leases cover principally buildings and transportation equipment. Rent expense was $117.2 million, $108.8 million and $99.2 million for the years ended December 31, 2013, 2012 and 2011, respectively.

(12) Segment Reporting

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

	Year Ended December 31, 2013			
	Seating	Electrical	Other	Consolidated
Revenues from external customers	$12,018.1	$4,215.9	$ —	$ 16,234.0
Segment earnings (1)	576.9	414.3	(254.6)	736.6
Depreciation and amortization	181.3	96.4	7.8	285.5
Capital expenditures	288.5	163.4	8.7	460.6
Total assets	4,640.0	1,658.3	2,032.6	8,330.9

	Year Ended December 31, 2012			
	Seating	Electrical	Other	Consolidated
Revenues from external customers	$11,029.6	$3,537.4	$ —	$ 14,567.0
Segment earnings (1)	661.7	254.9	(211.4)	705.2
Depreciation and amortization	152.6	78.4	8.5	239.5
Capital expenditures	290.7	158.1	9.5	458.3
Total assets	4,341.9	1,432.2	2,420.0	8,194.1

	Year Ended December 31, 2011			
	Seating	Electrical	Other	Consolidated
Revenues from external customers	$10,943.0	$3,213.5	$ —	$ 14,156.5
Segment earnings (1)	703.7	185.1	(209.2)	679.6
Depreciation and amortization	146.5	92.3	7.5	246.3
Capital expenditures	184.0	139.4	6.1	329.5
Total assets	3,697.9	1,255.0	2,058.0	7,010.9

(1) See definition in Note 2, "Summary of Significant Accounting Policies — Segment Reporting."

For the year ended December 31, 2013, segment earnings include restructuring charges of $54.8 million, $13.1 million and $10.0 million in the seating and electrical segments and in the other category, respectively (Note 4, "Restructuring").

For the year ended December 31, 2012, segment earnings include restructuring charges of $47.8 million, $4.3 million and $3.1 million in the seating and electrical segments and in the other category, respectively (Note 4, "Restructuring").

For the year ended December 31, 2011, segment earnings include restructuring charges of $66.4 million and $2.4 million in the seating and electrical segments, respectively (Note 4, "Restructuring").

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

A reconciliation of segment earnings to consolidated income before provision (benefit) for income taxes and equity in net income of affiliates is shown below (in millions):

For the year ended December 31,	2013	2012	2011
Segment earnings	$ 991.2	$ 916.6	$ 888.8
Corporate and regional headquarters and elimination of intercompany activity (“Other”)	(254.6)	(211.4)	(209.2)
Consolidated income before interest, other expense, provision (benefit) for income taxes and equity in net income of affiliates	736.6	705.2	679.6
Interest expense	68.4	49.9	39.7
Other expense, net	58.1	6.4	24.2
Consolidated income before provision (benefit) for income taxes and equity in net income of affiliates	$ 610.1	$ 648.9	$ 615.7

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,	2013	2012	2011
Revenues from external customers:			
United States	$ 3,046.0	$ 2,891.4	$ 2,542.2
Germany	2,204.6	2,142.4	2,522.5
Mexico	2,225.9	1,991.8	1,659.0
China	1,842.9	1,467.6	1,363.0
Other countries	6,914.6	6,073.8	6,069.8
Total	$16,234.0	$14,567.0	$14,156.5

December 31,	2013	2012
Tangible long-lived assets:		
United States	$ 246.1	$ 213.4
Germany	150.8	151.5
Mexico	271.8	236.7
China	170.6	131.8
Other countries	747.9	669.7
Total	$1,587.2	$1,403.1

The following is a summary of the percentage of revenues from major customers:

For the year ended December 31,	2013	2012	2011
Ford	21.9%	19.8%	19.4%
General Motors	21.9	21.1	18.8
BMW	10.0	10.6	11.6

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

(13) Financial Instruments

The carrying values of the Company’s debt instruments vary from their fair values. The fair values were determined by reference to the quoted market prices of these securities (Level 2 input based on the GAAP fair value hierarchy). As of December 31, 2013, the aggregate carrying value of the Notes was $1,057.1 million, as compared to an estimated aggregate fair value of $1,077.1 million. As of December 31, 2012, the aggregate carrying value of the 2018 Notes and 2020 Notes was $626.3 million, as compared to an estimated aggregate fair value of $696.6 million.

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Derivative Instruments and Hedging Activities

Foreign exchange — The Company uses forwards, swaps and other derivative contracts to reduce the effects of fluctuations in foreign exchange rates on 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 exposure to fluctuations in foreign exchange rates. The principal currencies hedged by the Company include the Mexican peso, various European currencies, the Chinese renminbi, the Thai baht and the Canadian dollar. As of December 31, 2013 and 2012, contracts designated as cash flow hedges with $917.4 million and $836.4 million, respectively, of notional amount were outstanding with maturities of less than eighteen months. As of December 31, 2013 and 2012, the fair value of these contracts was approximately $6.5 million and $19.9 million, respectively. As of December 31, 2013 and 2012, other foreign currency derivative contracts that did not qualify for hedge accounting with $149.2 million and $23.4 million, respectively, of notional amount were outstanding. These foreign currency derivative contracts consist principally of hedges of cash transactions of up to twelve months, hedges of intercompany loans and hedges of certain other balance sheet exposures. As of December 31, 2013 and 2012, the fair value of these contracts was approximately ($0.1) million and zero, respectively.

The fair value of outstanding foreign currency derivative contracts and the related classification in the accompanying consolidated balance sheets are shown below (in millions):

December 31,	2013	2012
Contracts qualifying for hedge accounting:		
Other current assets	$12.4	$22.3
Other long-term assets	0.7	0.5
Other current liabilities	(6.5)	(2.8)
Other long-term liabilities	(0.1)	(0.1)
	6.5	19.9
Contracts not qualifying for hedge accounting:		
Other current assets	0.4	0.1
Other current liabilities	(0.5)	(0.1)
	(0.1)	—
	$ 6.4	$19.9

Pretax amounts related to foreign currency derivative contracts that were recognized in and reclassified from accumulated other comprehensive loss are shown below (in millions):

For the year ended December 31,	2013	2012	2011
Contracts qualifying for hedge accounting:			
Gains (losses) recognized in accumulated other comprehensive loss	$ 18.8	$55.8	$(50.4)
(Gains) losses reclassified from accumulated other comprehensive loss	(32.2)	3.2	12.6
Other comprehensive income (loss)	$(13.4)	$59.0	$(37.8)

For the years ended December 31, 2013, 2012 and 2011, net sales includes gains (losses) of $3.9 million, $1.0 million and ($1.7) million, respectively, reclassified from accumulated other comprehensive loss related to foreign currency derivative contracts. For the years ended December 31, 2013, 2012 and 2011, cost of sales includes gains (losses) of $28.3 million, ($4.2) million and ($10.9) million, respectively, reclassified from accumulated other comprehensive loss related to foreign currency derivative contracts.

Interest rate — Historically, the Company used interest rate swap and other derivative contracts to manage its exposure to fluctuations in interest rates. As of December 31, 2013 and 2012, there were no interest rate contracts outstanding. The Company will continue to evaluate, and may use, derivative financial instruments, including forwards, futures, options, swaps and other derivative contracts, to manage its exposures to fluctuations in interest rates in the future.

Commodity prices — Historically, the Company used commodity swap and other derivative contracts to reduce its exposure to fluctuations in certain commodity prices. These derivative instruments were utilized to hedge forecasted inventory purchases, and to the extent that they met hedge accounting criteria, they were accounted for as cash flow hedges. Commodity swap contracts that were not accounted for as cash flow hedges were marked to market with changes in fair value recognized immediately in the accompanying consolidated statements of income (Note 2, "Summary of Significant Accounting Policies"). As of December 31, 2013 and 2012, there were no commodity swap contracts outstanding.

Pretax amounts related to commodity swap contracts that were recognized in and reclassified from accumulated other comprehensive loss are shown below (in millions):

For the year ended December 31,	2012	2011
Contracts qualifying for hedge accounting:		
Gains (losses) recognized in accumulated other comprehensive loss	$0.1	$(0.5)
Losses reclassified from accumulated other comprehensive loss	0.2	0.2
Other comprehensive income (loss)	$0.3	$(0.3)

For each of the years ended December 31, 2012 and 2011, cost of sales includes losses of $0.2 million reclassified from accumulated other comprehensive loss related to commodity swap contracts.

As of December 31, 2013 and 2012, pretax net gains of approximately $6.5 million and $19.9 million, respectively, related to the Company's derivative instruments and hedging activities were recorded in accumulated other comprehensive loss. During the year ending December 31, 2014, the Company expects to reclassify into earnings net gains of approximately $5.9 million recorded in accumulated other comprehensive loss as of December 31, 2013. Such gains will be reclassified at the time that the underlying hedged transactions are realized. For the years ended December 31, 2013, 2012 and 2011, amounts recognized in the accompanying consolidated statements of income related to changes in the fair value of cash flow hedges that were excluded from the Company's effectiveness assessments and the ineffective portion of changes in the fair value of cash flow and fair value hedges were not material. In addition, the Company recognized tax benefits (expense) of $5.4 million, ($19.0) million and $1.8 million in other comprehensive income (loss) related to its derivative instruments and hedging activities for the years ended December 31, 2013, 2012 and 2011, respectively.

Fair Value Measurements

GAAP provides that fair value is an exit price, defined as a market-based measurement that represents the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value measurements are based on one or more of the following three valuation techniques:

Market: This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Income: This approach uses valuation techniques to convert future amounts to a single present value amount based on current market expectations.

Cost: This approach is based on the amount that would be required to replace the service capacity of an asset (replacement cost).

Further, GAAP prioritizes the inputs and assumptions used in the valuation techniques described above into a three-tier fair value hierarchy as follows:

Level 1: Observable inputs, such as quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: Inputs, other than quoted market prices included in Level 1, that are observable either directly or indirectly for the asset or liability.

Level 3: Unobservable inputs that reflect the entity's own assumptions about the exit price of the asset or liability. Unobservable inputs may be used if there is little or no market data for the asset or liability at the measurement date.

The Company discloses fair value measurements and the related valuation techniques and fair value hierarchy level for its assets and liabilities that are measured or disclosed at fair value.

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Items measured at fair value on a recurring basis – Fair value measurements and the related valuation techniques and fair value hierarchy level for the Company's assets and liabilities measured or disclosed at fair value on a recurring basis as of December 31, 2013 and 2012, are shown below (in millions):

December 31, 2013	Frequency	Asset	Valuation Technique	Level 1	Level 2	Level 3
Foreign currency derivative contracts	Recurring	$ 6.4	Market/Income	$ —	$ 6.4	$ —

December 31, 2012	Frequency	Asset	Valuation Technique	Level 1	Level 2	Level 3
Foreign currency derivative contracts	Recurring	$19.9	Market/Income	$ —	$ 19.9	$ —

The Company determines the fair value of its derivative contracts using quoted market prices to calculate the forward values and then discounts such forward values to the present value. The discount rates used are based on quoted bank deposit or swap interest rates. If a derivative contract is in a net liability position, the Company adjusts these discount rates, if required, by an estimate of the credit spread that would be applied by market participants purchasing these contracts from the Company's counterparties. To estimate this credit spread, the Company uses significant assumptions and factors other than quoted market rates, which would result in the classification of its derivative liabilities within Level 3 of the fair value hierarchy. As of December 31, 2013 and 2012, there were no derivative contracts that were classified within Level 3 of the fair value hierarchy. In addition, there were no transfers in or out of Level 3 of the fair value hierarchy during 2013 and 2012.

For further information on fair value measurements and the Company's defined benefit pension plan assets, see Note 8, "Pension and Other Postretirement Benefit Plans."

Items measured at fair value on a non-recurring basis – The Company measures certain assets and liabilities at fair value on a non-recurring basis, which are not included in the table above. As these non-recurring fair value measurements are generally determined using unobservable inputs, these fair value measurements are classified within Level 3 of the fair value hierarchy. As of December 31, 2013, there were no significant assets or liabilities measured at fair value on a non-recurring basis. As a result of the Guilford acquisition in 2012, Level 3 fair value estimates related to property, plant and equipment of $89.9 million and intangible assets of $56.0 million were recorded in the accompanying consolidated balance sheet as of December 31, 2012.

For further information on assets and liabilities measured at fair value on a non-recurring basis, see Note 2, "Summary of Significant Accounting Policies," and Note 4, "Restructuring."

(14) Quarterly Financial Data (unaudited)

(In millions, except per share data)

	Thirteen Weeks Ended			
	March 30, 2013	June 29, 2013	September 28, 2013	December 31, 2013
Net sales	$3,947.1	$4,113.1	$ 3,917.7	$ 4,256.1
Gross profit	312.4	337.7	330.2	319.4
Consolidated net income	116.9	142.3	116.7	79.9
Net income attributable to Lear	108.5	137.3	112.8	72.8
Basic net income per share attributable to Lear	1.14	1.62	1.40	0.90
Diluted net income per share attributable to Lear	1.13	1.60	1.38	0.88

In the second and fourth quarters of 2013, the Company recognized $21.5 million of net tax benefits and $16.0 million of net tax expense, respectively, primarily related to changes in valuation allowances with respect to its deferred tax assets in certain foreign subsidiaries and various other items.

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

	Thirteen Weeks Ended			
	March 31, 2012	June 30, 2012	September 29, 2012	December 31, 2012
Net sales	$3,644.0	$3,665.0	$ 3,538.6	$ 3,719.4
Gross profit	309.8	314.6	291.3	301.8
Consolidated net income	144.4	154.6	128.1	890.1
Net income attributable to Lear	134.1	145.4	121.4	881.9
Basic net income per share attributable to Lear	1.34	1.47	1.25	9.12
Diluted net income per share attributable to Lear	1.32	1.45	1.23	9.00

In the fourth quarter of 2012, the Company recognized $30.1 million of insurance recoveries, net of losses and incremental costs, related to the destruction of assets caused by a fire at one of its European production facilities. The Company also recognized $766.9 million of net tax benefits, primarily related to the reversal of a valuation allowance with respect to its deferred tax assets in the United States, as well as changes in valuation allowances in certain foreign subsidiaries, reductions in tax reserves due to audit settlements and various other items.

For further information, see Note 7, “Income Taxes,” and Note 11, “Commitments and Contingencies,” to the consolidated financial statements included in this Report.

(15) Accounting Pronouncements

Comprehensive Income

The Financial Accounting Standards Board (“FASB”) amended ASC 220, “Comprehensive Income,” with ASU 2013-02, “Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income,” which requires additional disclosures regarding reclassifications out of accumulated other comprehensive income. The provisions of this update were effective as of January 1, 2013. The effects of adoption were not significant, and the additional required disclosures are included in Note 2, “Summary of Significant Accounting Policies.”

Offsetting

The FASB issued ASU 2011-11, “Disclosures about Offsetting Assets and Liabilities,” which requires additional disclosures regarding offsetting and related arrangements. The issuance of ASU 2013-01, “Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities,” limited the scope of ASU 2011-11 to derivatives, repurchase agreements and securities lending transactions to the extent that they are offset in the financial statements or subject to an enforceable master netting or similar agreement. The provisions of these updates were effective as of January 1, 2013. The effects of adoption were not significant, and the additional required disclosures are included in Note 2, “Summary of Significant Accounting Policies.”

Cumulative Translation Adjustments

The FASB issued ASU 2013-05, “Parent’s Accounting for Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity,” which amends ASC 830, “Foreign Currency Matters.” This ASU clarifies the accounting for cumulative translation adjustments when an entity ceases to have a controlling financial interest in a foreign subsidiary. The provisions of this update are effective as of January 1, 2014. The Company is currently evaluating the impact of this update.

Presentation of Unrecognized Tax Benefits

The FASB issued ASU 2013-11, “Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists,” which amends ASC 740, “Income Taxes.” This ASU requires that a liability related to an unrecognized tax benefit be offset against a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward if certain criteria are met. The provisions of this update are effective as of January 1, 2014. The Company is currently evaluating the impact of this update.

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Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(16) Supplemental Guarantor Consolidating Financial Statements

December 31, 2013

	Lear	Guarantors	Non-guarantors (in millions)	Eliminations	Consolidated
Assets					
Current Assets:					
Cash and cash equivalents	$ 343.5	$ 0.1	$ 794.1	$ —	$ 1,137.7
Accounts receivable	41.2	349.7	1,887.4	—	2,278.3
Inventories	4.8	297.9	516.0	—	818.7
Other	147.7	77.3	462.8	—	687.8
Total current assets	537.2	725.0	3,660.3	—	4,922.5
Long-Term Assets:					
Property, plant and equipment, net	95.5	316.0	1,175.7	—	1,587.2
Goodwill	23.5	401.0	332.7	—	757.2
Investments in subsidiaries	1,802.4	1,878.5	—	(3,680.9)	—
Intercompany accounts, net	1,373.1	—	—	(1,373.1)	—
Other	591.5	71.5	401.0	—	1,064.0
Total long-term assets	3,886.0	2,667.0	1,909.4	(5,054.0)	3,408.4
Total assets	$4,423.2	$3,392.0	$5,569.7	$ (5,054.0)	$ 8,330.9
Liabilities and Equity					
Current Liabilities:					
Accounts payable and drafts	$ 73.8	$ 582.4	$1,782.5	$ —	$ 2,438.7
Accrued liabilities	127.9	156.1	856.4	—	1,140.4
Total current liabilities	201.7	738.5	2,638.9	—	3,579.1
Long-Term Liabilities:					
Long-term debt	1,057.1	—	—	—	1,057.1
Intercompany accounts, net	—	515.2	857.9	(1,373.1)	—
Other	118.5	143.0	283.7	—	545.2
Total long-term liabilities	1,175.6	658.2	1,141.6	(1,373.1)	1,602.3
Equity:					
Lear Corporation stockholders' equity	3,045.9	1,995.3	1,685.6	(3,680.9)	3,045.9
Noncontrolling interests	—	—	103.6	—	103.6
Equity	3,045.9	1,995.3	1,789.2	(3,680.9)	3,149.5
Total liabilities and equity	$4,423.2	$3,392.0	$5,569.7	$ (5,054.0)	$ 8,330.9

December 31, 2012

	Lear	Guarantors	Non-guarantors (in millions)	Eliminations	Consolidated
Assets					
Current Assets:					
Cash and cash equivalents	$ 481.4	$ 0.1	$ 920.7	$ —	$ 1,402.2
Accounts receivable	47.7	358.4	1,634.6	—	2,040.7
Inventories	5.2	264.3	457.6	—	727.1
Other	162.9	70.2	470.4	—	703.5
Total current assets	697.2	693.0	3,483.3	—	4,873.5
Long-Term Assets:					
Property, plant and equipment, net	91.5	273.3	1,038.3	—	1,403.1
Goodwill	23.5	400.8	322.2	—	746.5
Investments in subsidiaries	1,494.7	1,504.2	—	(2,998.9)	—
Intercompany accounts, net	1,471.3	—	—	(1,471.3)	—
Other	769.9	67.5	333.6	—	1,171.0
Total long-term assets	3,850.9	2,245.8	1,694.1	(4,470.2)	3,320.6
Total assets	$4,548.1	$2,938.8	$5,177.4	$ (4,470.2)	$ 8,194.1
Liabilities and Equity					
Current Liabilities:					
Accounts payable and drafts	$ 114.3	$ 555.2	$1,563.5	$ —	$ 2,233.0
Accrued liabilities	124.7	192.8	666.4	—	983.9
Total current liabilities	239.0	748.0	2,229.9	—	3,216.9
Long-Term Liabilities:					
Long-term debt	626.3	—	—	—	626.3
Intercompany accounts, net	—	447.6	1,023.7	(1,471.3)	—
Other	195.7	179.5	363.5	—	738.7
Total long-term liabilities	822.0	627.1	1,387.2	(1,471.3)	1,365.0
Equity:					

Lear Corporation stockholders’ equity	3,487.1	1,563.7	1,435.2	(2,998.9)	3,487.1
Noncontrolling interests	—	—	125.1	—	125.1
Equity	3,487.1	1,563.7	1,560.3	(2,998.9)	3,612.2
Total liabilities and equity	$4,548.1	$2,938.8	$5,177.4	$ (4,470.2)	$ 8,194.1

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(16) Supplemental Guarantor Consolidating Financial Statements – (continued)

Year Ended December 31, 2013	Lear	Guarantors	Non-Guarantors	Eliminations	Consolidated
			(in millions)		
Net sales	$ 449.0	$6,261.1	$14,042.2	$ (4,518.3)	$ 16,234.0
Cost of sales	573.4	5,699.7	13,179.5	(4,518.3)	14,934.3
Selling, general and administrative expenses	170.1	61.9	296.7	—	528.7
Intercompany operating (income) expense, net	(283.9)	180.9	103.0	—	—
Amortization of intangible assets	1.7	4.7	28.0	—	34.4
Interest expense	52.0	19.3	(2.9)	—	68.4
Other expense, net	6.5	7.6	44.0	—	58.1
Consolidated income (loss) before provision (benefit) for income taxes and equity in net income of affiliates and subsidiaries	(70.8)	287.0	393.9	—	610.1
Provision (benefit) for income taxes	(33.9)	113.6	113.0	—	192.7
Equity in net income of affiliates	0.7	(2.0)	(37.1)	—	(38.4)
Equity in net income of subsidiaries	(469.0)	(144.4)	—	613.4	—
Consolidated net income	431.4	319.8	318.0	(613.4)	455.8
Less: Net income attributable to noncontrolling interests	—	—	24.4	—	24.4
Net income attributable to Lear	$ 431.4	$ 319.8	$ 293.6	$ (613.4)	$ 431.4
Consolidated comprehensive income	$ 566.1	$ 347.0	$ 379.0	$ (700.1)	$ 592.0
Less: Comprehensive income attributable to noncontrolling interests	—	—	25.9	—	25.9
Comprehensive income attributable to Lear	$ 566.1	$ 347.0	$ 353.1	$ (700.1)	$ 566.1

Year Ended December 31, 2012	Lear	Guarantors	Non-Guarantors	Eliminations	Consolidated
			(in millions)		
Net sales	$ 483.7	$5,850.1	$12,484.6	$ (4,251.4)	$ 14,567.0
Cost of sales	555.6	5,295.3	11,750.0	(4,251.4)	13,349.5
Selling, general and administrative expenses	213.8	38.0	227.5	—	479.3
Intercompany operating (income) expense, net	(247.9)	118.3	129.6	—	—
Amortization of intangible assets	1.7	2.8	28.5	—	33.0
Interest expense	2.3	21.8	25.8	—	49.9
Other expense, net	2.9	2.4	1.1	—	6.4
Consolidated income (loss) before provision (benefit) for income taxes and equity in net income of affiliates and subsidiaries	(44.7)	371.5	322.1	—	648.9
Provision (benefit) for income taxes	(724.5)	(0.5)	87.0	—	(638.0)
Equity in net income of affiliates	(6.1)	(3.6)	(20.6)	—	(30.3)
Equity in net income of subsidiaries	(596.9)	(182.6)	—	779.5	—
Consolidated net income	1,282.8	558.2	255.7	(779.5)	1,317.2
Less: Net income attributable to noncontrolling interests	—	—	34.4	—	34.4
Net income attributable to Lear	$1,282.8	$ 558.2	$ 221.3	$ (779.5)	$ 1,282.8
Consolidated comprehensive income	$1,314.0	$ 607.8	$ 259.1	$ (831.3)	$ 1,349.6
Less: Comprehensive income attributable to noncontrolling interests	—	—	35.6	—	35.6
Comprehensive income attributable to Lear	$1,314.0	$ 607.8	$ 223.5	$ (831.3)	$ 1,314.0

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Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(16) Supplemental Guarantor Consolidating Financial Statements – (continued)

Year Ended December 31, 2011	Lear	Guarantors	Non-guarantors	Eliminations	Consolidated
			(in millions)		
Net sales	$ 389.5	$5,231.9	$12,668.7	$ (4,133.6)	$ 14,156.5
Cost of sales	489.0	4,764.2	11,843.7	(4,133.6)	12,963.3
Selling, general and administrative expenses	189.7	12.8	283.1	—	485.6
Intercompany operating (income) expense, net	(390.8)	206.2	184.6	—	—
Amortization of intangible assets	1.7	—	26.3	—	28.0
Interest expense	—	24.5	15.2	—	39.7
Other expense, net	3.4	15.3	5.5	—	24.2
Consolidated income (loss) before provision (benefit) for income taxes and equity in net income of affiliates and subsidiaries	96.5	208.9	310.3	—	615.7
Provision (benefit) for income taxes	17.0	4.7	47.1	—	68.8
Equity in net income of affiliates	1.1	(3.0)	(21.6)	—	(23.5)
Equity in net income of subsidiaries	(462.3)	(257.6)	—	719.9	—
Consolidated net income	540.7	464.8	284.8	(719.9)	570.4
Less: Net income attributable to noncontrolling interests	—	—	29.7	—	29.7
Net income attributable to Lear	$ 540.7	$ 464.8	$ 255.1	$ (719.9)	$ 540.7
Consolidated comprehensive income	$ 286.7	$ 383.8	$ 179.9	$ (531.5)	$ 318.9
Less: Comprehensive income attributable to noncontrolling interests	—	—	32.2	—	32.2
Comprehensive income attributable to Lear	$ 286.7	$ 383.8	$ 147.7	$ (531.5)	$ 286.7

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(16) Supplemental Guarantor Consolidating Financial Statements – (continued)

Year Ended December 31, 2013	Lear	Guarantors	Non-guarantors	Eliminations	Consolidated
			(in millions)		
Net Cash Provided by Operating Activities	$ 135.2	$ 189.7	$ 495.2	$ —	$ 820.1
Cash Flows from Investing Activities:					
Additions to property, plant and equipment	(17.9)	(110.6)	(332.1)	—	(460.6)
Insurance proceeds	—	—	7.1	—	7.1
Other, net	43.0	3.8	2.8	—	49.6
Net cash used in investing activities	25.1	(106.8)	(322.2)	—	(403.9)
Cash Flows from Financing Activities:					
Proceeds from the issuance of senior notes	500.0	—	—	—	500.0
Repurchase of senior notes	(72.1)	—	—	—	(72.1)
Payment of debt issuance and other financing costs	(13.4)	—	—	—	(13.4)
Repurchase of common stock	(1,000.1)	—	—		(1,000.1)
Dividends paid to Lear Corporation stockholders	(58.4)	—	—	—	(58.4)
Dividends paid to noncontrolling interests	—	—	(44.0)	—	(44.0)
Change in intercompany accounts	349.7	(82.9)	(266.8)	—	—
Other, net	(3.9)	—	(6.6)	—	(10.5)
Net cash used in financing activities	(298.2)	(82.9)	(317.4)	—	(698.5)
Effect of foreign currency translation	—	—	17.8	—	17.8
Net Change in Cash and Cash Equivalents	(137.9)	—	(126.6)	—	(264.5)
Cash and Cash Equivalents as of Beginning of Period	481.4	0.1	920.7	—	1,402.2
Cash and Cash Equivalents as of End of Period	$ 343.5	$ 0.1	$ 794.1	$ —	$ 1,137.7

Year Ended December 31, 2012	Lear	Guarantors	Non-guarantors	Eliminations	Consolidated
			(in millions)		
Net Cash Provided by Operating Activities	$ (25.8)	$ 476.2	$ 279.4	$ —	$ 729.8
Cash Flows from Investing Activities:					
Additions to property, plant and equipment	(11.3)	(97.4)	(349.6)	—	(458.3)
Insurance proceeds	—	—	19.2	—	19.2
Cash paid for acquisitions, net of cash acquired	(243.9)	—	—	—	(243.9)
Other, net	0.4	6.3	(11.6)	—	(4.9)
Net cash used in investing activities	(254.8)	(91.1)	(342.0)	—	(687.9)
Cash Flows from Financing Activities:					
Repurchase of senior notes	(72.1)	—	—	—	(72.1)
Repurchase of common stock	(222.8)	—	—	—	(222.8)
Dividends paid to Lear Corporation stockholders	(54.6)	—	—	—	(54.6)
Dividends paid to noncontrolling interests	—	—	(23.1)	—	(23.1)
Change in intercompany accounts	297.3	(385.1)	87.8	—	—
Other, net	(6.1)	—	(17.4)	—	(23.5)
Net cash used in financing activities	(58.3)	(385.1)	47.3	—	(396.1)
Effect of foreign currency translation	—	—	2.1	—	2.1
Net Change in Cash and Cash Equivalents	(338.9)	—	(13.2)	—	(352.1)
Cash and Cash Equivalents as of Beginning of Period	820.3	0.1	933.9	—	1,754.3
Cash and Cash Equivalents as of End of Period	$ 481.4	$ 0.1	$ 920.7	$ —	$ 1,402.2

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(16) Supplemental Guarantor Consolidating Financial Statements – (continued)

Year Ended December 31, 2011	Lear	Guarantors	Non-guarantors	Eliminations	Consolidated
			(in millions)		
Net Cash Provided by Operating Activities	$ 180.4	$ 212.4	$ 397.5	$ —	$ 790.3
Cash Flows from Investing Activities:					
Additions to property, plant and equipment	(10.5)	(57.8)	(261.2)	—	(329.5)
Insurance proceeds	—	—	3.5	—	3.5
Cash paid for acquisitions, net of cash acquired	—	—	(8.4)	—	(8.4)
Other, net	23.2	1.9	6.1	—	31.2
Net cash used in investing activities	12.7	(55.9)	(260.0)	—	(303.2)
Cash Flows from Financing Activities:					
Payment of debt issuance and other financing costs	(4.8)	—	—	—	(4.8)
Other long-term debt repayments, net	—	—	(1.1)	—	(1.1)
Short-term repayments, net	—	—	(4.0)	—	(4.0)
Repurchase of common stock	(279.1)	—	—	—	(279.1)
Dividends paid to Lear Corporation stockholders	(51.1)	—	—	—	(51.1)
Dividends paid to noncontrolling interests	—	—	(18.5)	—	(18.5)
Change in intercompany accounts	167.1	(156.8)	(10.3)	—	—
Other, net	(13.7)	—	—	—	(13.7)
Net cash used in financing activities	(181.6)	(156.8)	(33.9)	—	(372.3)
Effect of foreign currency translation	—	—	(14.6)	—	(14.6)
Net Change in Cash and Cash Equivalents	11.5	(0.3)	89.0	—	100.2
Cash and Cash Equivalents as of Beginning of Period	808.8	0.4	844.9	—	1,654.1
Cash and Cash Equivalents as of End of Period	$ 820.3	$ 0.1	$ 933.9	$ —	$ 1,754.3

(16) Supplemental Guarantor Consolidating Financial Statements – (continued)

Basis of Presentation — Certain of the Company's domestic 100% owned subsidiaries (the "Guarantors") have jointly and severally unconditionally guaranteed, on a senior unsecured basis, the performance and the full and punctual payment when due, whether at stated maturity, by acceleration or otherwise, of the Company's obligations under its revolving credit facility and the indentures governing the Notes, including the Company's obligations to pay principal, premium, if any, and interest with respect to the Notes. The Notes consist of $280 million in aggregate principal amount at maturity of 7.875% senior unsecured notes due 2018, $280 million in aggregate principal amount at maturity of 8.125% senior unsecured notes due 2020 and $500 million in aggregate principal amount of 4.75% senior unsecured notes due 2023. The Guarantors include Guilford Mills, Inc., Lear Corporation EEDS and Interiors, Lear Mexican Seating Corporation and Lear Operations Corporation. In lieu of providing separate financial statements for the Guarantors, the Company has included the supplemental guarantor consolidating financial statements above. These financial statements reflect the Guarantors listed 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.

The supplemental guarantor consolidating financial statements have been restated to reflect certain changes to the equity investments of the Guarantors in 2012 and 2011, as well as the correction of a non-cash allocation of provision (benefit) for income taxes among Lear, the Guarantors and the Non-guarantors in 2012. The consolidated provision (benefit) for income taxes was not impacted.

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

Selling, General and Administrative Expenses — Corporate and division selling, general and administrative expenses are allocated to the operating subsidiaries based on various factors, which estimate usage of particular corporate and division functions, and in certain instances, other relevant factors, such as the revenues or the number of employees of the Company's subsidiaries. For the years ended December 31, 2013, 2012 and 2011, $111.5 million, $38.1 million and $28.7 million, respectively, of selling, general and administrative expenses were allocated from Lear.

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

December 31,	2013	2012
Senior notes	$1,057.1	$626.3

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LEAR CORPORATION AND SUBSIDIARIES

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS
(In millions)

	Balance as of Beginning of Period	Additions	Retirements	Other Changes	Balance as of End of Period
For the year ended December 31, 2013					
Valuation of accounts deducted from related assets:					
Allowance for doubtful accounts	$ 35.4	$ 11.8	$ (13.9)	$ 1.2	$ 34.5
Allowance for deferred tax assets	628.2	54.9	(55.5)	15.0	642.6
Total	$ 663.6	$ 66.7	$ (69.4)	$ 16.2	$ 677.1

	Balance as of Beginning of Period	Additions	Retirements	Other Changes	Balance as of End of Period
For the year ended December 31, 2012					
Valuation of accounts deducted from related assets:					
Allowance for doubtful accounts	$ 30.7	$ 5.9	$ (4.2)	$ 3.0	$ 35.4
Allowance for deferred tax assets	1,397.3	90.2	(871.7)	12.4	628.2
Total	$ 1,428.0	$ 96.1	$ (875.9)	$ 15.4	$ 663.6

	Balance as of Beginning of Period	Additions	Retirements	Other Changes	Balance as of End of Period
For the year ended December 31, 2011					
Valuation of accounts deducted from related assets:					
Allowance for doubtful accounts	$ 14.5	$ 19.0	$ (1.8)	$ (1.0)	$ 30.7
Allowance for deferred tax assets	1,407.3	71.1	(68.2)	(12.9)	1,397.3
Total	$ 1,421.8	$ 90.1	$ (70.0)	$ (13.9)	$1,428.0

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

None.

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 President and Chief Executive Officer along with the Company's Senior 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. The Company's disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. 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. Based on the evaluation described above, the Company's President and Chief Executive Officer along with the Company's Senior Vice President and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective to provide reasonable assurance that the desired control objectives were achieved 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 President and Chief Executive Officer along with the Company's Senior Vice President and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of internal control over financial reporting based on the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework). 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, 2013.

(c) Attestation Report of the Registered Public Accounting Firm

The attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting is set forth in Item 8, "Consolidated Financial Statements and Supplementary Data," under the caption "Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting" and incorporated herein by reference.

(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 ended December 31, 2013, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B – OTHER INFORMATION

None.

PART III

ITEM 10 – DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 regarding our directors and corporate governance matters is incorporated by reference herein to the Proxy Statement sections entitled “Election of Directors” and “Directors and Corporate Governance.” The information required by Item 10 regarding our executive officers appears as a supplementary item following Item 4 under Part I of this Report. The information required by Item 10 regarding compliance with section 16(a) of the Securities Exchange Act of 1934, as amended, is incorporated by reference herein to the Proxy Statement section entitled “Directors and Corporate Governance — Section 16(a) Beneficial Ownership Reporting Compliance.”

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 and will provide it to shareholders free of charge upon written request by contacting Lear Corporation at 21557 Telegraph Road, Southfield, Michigan 48033, Attention: Investor Relations.

ITEM 11 – EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated by reference herein to the Proxy Statement sections entitled “Directors and Corporate Governance — Director Compensation,” “Compensation Discussion and Analysis,” “Executive Compensation,” “Compensation Committee Interlocks and Insider Participation” and “Compensation Committee Report.” Notwithstanding anything indicating the contrary set forth in this Report, the “Compensation Committee Report” section 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 herein to the Proxy Statement section entitled “Directors and Corporate Governance — Security Ownership of Certain Beneficial Owners, Directors and Management.”

Equity Compensation Plan Information

As of December 31, 2013	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	4,091,641 (1)	$ — (2)	4,681,206
Equity compensation plans not approved by security holders	—	—	—
Total	4,091,641	$ —	4,681,206

(1) Includes 761,423 of outstanding restricted stock units and 3,330,218 of outstanding performance shares. Outstanding performance shares are reflected at the maximum possible payout that may be earned during the relevant performance periods.

(2) Reflects outstanding restricted stock units and performance shares at a weighted average price of zero.

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ITEM 13 – CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 is incorporated by reference herein to the Proxy Statement sections entitled "Certain Relationships and Related Party Transactions" and "Directors and Corporate Governance — Independence of Directors."

ITEM 14 – PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by Item 14 is incorporated by reference herein 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, 2013 and 2012

   Consolidated Statements of Income for the years ended December 31, 2013, 2012 and 2011

   Consolidated Statements of Comprehensive Income for the years ended December 31, 2013, 2012 and 2011

   Consolidated Statements of Equity for the years ended December 31, 2013, 2012 and 2011

   Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011

   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 102 through 104 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 102 through 104 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, as amended, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized on February 10, 2014.

Lear Corporation

By: /s/ Matthew J. Simoncini
Matthew J. Simoncini
President and Chief Executive Officer and a Director
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of Lear Corporation and in the capacities indicated on February 10, 2014.

/s/ Matthew J. Simoncini
Matthew J. Simoncini
President and Chief Executive Officer and a Director
(Principal Executive Officer)

/s/ Jeffrey H. Vanneste
Jeffrey H. Vanneste
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ Wendy L. Foss
Wendy L. Foss
Vice President, Corporate Controller and Chief Accounting Officer
(Principal Accounting Officer)

/s/ Richard H. Bott
Richard H. Bott
a Director

/s/ Thomas P. Capo
Thomas P. Capo
a Director

/s/ Jonathan F. Foster
Jonathan F. Foster
a Director

/s/ Kathleen A. Ligocki
Kathleen A. Ligocki
a Director

/s/ Conrad L. Mallett, Jr.
Conrad L. Mallett, Jr.
a Director

/s/ Donald L. Runkle
Donald L. Runkle
a Director

/s/ Gregory C. Smith
Gregory C. Smith
a Director

/s/ Henry D.G. Wallace
Henry D.G. Wallace
Non-Executive Chairman of the Board of Directors and a Director

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Index to Exhibits

Exhibit Number	Exhibit
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated November 9, 2009).
3.2	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K dated November 9, 2009).
3.3	Certificate of Designations of Series A Convertible Participating Preferred Stock of the Company, as filed with the Secretary of State of the State of Delaware on November 9, 2009 (incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K dated November 9, 2009).
4.1	Warrant Agreement by and between the Company and Mellon Investor Services LLC, as Warrant Agent, dated as of November 9, 2009 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated November 9, 2009).
4.2	Indenture, dated March 26, 2010, among the Company, the subsidiary guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated March 23, 2010).
4.3	First Supplemental Indenture, dated March 26, 2010, among the Company, the subsidiary guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated March 23, 2010).
4.4	Second Supplemental Indenture, dated as of August 15, 2012, by and among Lear Corporation, the Subsidiary Guarantors party thereto and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit 4.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012).
4.5	Third Supplemental Indenture, dated as of January 17, 2013, by and among Lear Corporation, the Subsidiary Guarantors party thereto and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated January 14, 2013).
4.6	Registration Rights Agreement, dated as of January 17, 2013, by and among the Company and each of the other parties thereto (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated January 14, 2013).
10.1	Amended and Restated Credit Agreement, dated as of January 30, 2013, among the Company, the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated January 30, 2013).
**10.2*	Lear Corporation 2009 Long-Term Stock Incentive Plan, amended and restated effective January 1, 2014.
10.3*	Form of 2010 Restricted Stock Unit Terms and Conditions under the Lear Corporation 2009 Long-Term Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 3, 2010).
10.4*	Form of Performance Unit Terms and Conditions under the Lear Corporation 2009 Long-Term Stock Incentive Plan (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 3, 2010).
10.5*	Lear Corporation Annual Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated November 9, 2009).
10.6*	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).
10.7*	First Amendment to the Lear Corporation Pension Equalization Program, dated as of December 21, 2006 (incorporated by reference to Exhibit 10.45 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006).
10.8*	Second Amendment to the Lear Corporation Pension Equalization Program, dated as of May 9, 2007 (incorporated by reference to Exhibit 10.49 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007).
10.9*	Third Amendment to the Lear Corporation Pension Equalization Program, effective as of December 18, 2007 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 18, 2007).

**10.10*	Lear Corporation Outside Directors Compensation Plan, amended and restated effective January 1, 2014.
10.11*	Lear Corporation Outside Directors Compensation Plan – Form of Retainer and Stock Grant Deferral Elections (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the year ended December 31, 2011).
10.12*	Form of Restricted Stock Unit Terms and Conditions under the Lear Corporation 2009 Long-Term Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 2, 2011).
10.13*	Form of Performance Share Terms and Conditions under the Lear Corporation 2009 Long-Term Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 2, 2011).
10.14*	March 2012 Restricted Stock Unit Terms and Conditions for Jeffrey H. Vanneste (2-Year Vesting) (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012).
10.15*	March 2012 Restricted Stock Unit Terms and Conditions for Jeffrey H. Vanneste (3-Year Vesting) (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012).
10.16*	Lear Corporation Salaried Retirement Restoration Program (f/k/a Lear Corporation PSP Excess Plan), amended and restated effective January 1, 2013 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated November 14, 2012).
10.17*	Form of Career Share Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated November 14, 2012).
10.18*	Form of 2013 Restricted Stock Unit Terms and Conditions under the Lear Corporation 2009 Long-Term Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 2013).
10.19*	Form of 2013 Performance Share Terms and Conditions under the Lear Corporation 2009 Long-Term Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 2013).
10.20*	Amended and Restated Employment Agreement, dated as of August 9, 2011, between the Company and Matthew J. Simoncini (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 1, 2011).
10.21*	Employment Agreement, dated March 15, 2012, between the Company and Jeffrey H. Vanneste (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012).
10.22*	Amended and Restated Employment Agreement, dated September 12, 2012, between the Company and Frank C. Orsini (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 29, 2012).
10.23*	Amended and Restated Employment Agreement, dated September 11, 2013, between the Company and Raymond E. Scott (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 28, 2013).
10.24*	Amended and Restated Employment Agreement, dated September 11, 2013, between the Company and Terrence B. Larkin (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 28, 2013).
10.25*	Amended and Restated Employment Agreement, dated September 11, 2013, between the Company and Melvin L. Stephens (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 28, 2013).
10.26	Agreement, dated April 1, 2013, by and among Lear Corporation, Marcato, L.P., Marcato II, L.P., Marcato International Master Fund, Ltd., Marcato Capital Management LLC, Oskie Master Fund, LP and Oskie Capital Management, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 1, 2013).
10.27	Letter Agreement Re: Accelerated Share Repurchase between Citibank, N.A. and Lear Corporation, dated April 25, 2013 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 25, 2013).
**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.
99.1	Debtors' First Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code dated September 18, 2009 (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated November 5, 2009).
***101.INS	XBRL Instance Document.
***101.SCH	XBRL Taxonomy Extension Schema Document.
***101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
***101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
***101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
***101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

* Compensatory plan or arrangement.
** Filed herewith.
*** Submitted electronically with the Report.

LEAR CORPORATION
2009 LONG-TERM STOCK INCENTIVE PLAN

(Amended and Restated as of January 1, 2014)

LEAR CORPORATION

2009 LONG-TERM STOCK INCENTIVE PLAN

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LEAR CORPORATION
2009 LONG-TERM STOCK INCENTIVE PLAN

Article 1. Establishment, Objectives and Duration

1.1 Establishment of the Plan. Lear Corporation, a Delaware corporation, hereby establishes its long-term stock incentive compensation plan, to be known as the "2009 Lear Corporation Long-Term Stock Incentive Plan" as set forth in this document. Capitalized terms used but not otherwise defined herein will have the meanings given to them in Article 2. The Plan permits the grant of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Units, Restricted Stock Units, Performance Shares, Performance Units and other cash and equity incentive awards.

The Plan is effective as of November 9, 2009, and will remain in effect as provided in Section 1.3 hereof. The Plan was most recently amended and restated as of January 1, 2014.

1.2 Objectives of the Plan. The objectives of the Plan are to optimize the profitability and growth of the Company through long-term incentives that are consistent with the Company's objectives and that link the interests of Participants to those of the Company's shareholders; to provide Participants with an incentive for excellence in individual performance; to promote teamwork among Participants; and to give the Company a significant advantage in attracting and retaining officers, key employees and directors.

The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract and retain the services of Participants who make significant contributions to the Company's success, and to allow Participants to share in the success of the Company.

1.3 Duration of the Plan. The Plan will commence on the Effective Date, as defined in Article 2, and will remain in effect, subject to the right of the Committee to amend or terminate the Plan at any time pursuant to Article 15, until all Shares subject to it pursuant to Article 4 have been issued or transferred according to the Plan's provisions. In no event may an Award be granted under the Plan on or after the ten year anniversary of the Effective Date.

Article 2. Definitions

Whenever used in the Plan, the following terms have the meanings set forth below, and when the meaning is intended, the initial letter of the word is capitalized:

"Affiliates" means any corporation (or partnership, limited liability company, joint venture, or other enterprise) of which the Company owns or controls, directly or indirectly, at least fifty percent of the outstanding shares of stock normally entitled to vote for the election of directors (or comparable equity participation and voting power). Notwithstanding the foregoing, for purposes of determining whether an employee has terminated employment with the Company and all Affiliates, "Affiliates" means any corporation (or partnership, limited liability company, joint venture, or other enterprise) of which the Company owns or controls, directly or indirectly, at least ten percent of the outstanding shares of stock normally entitled to vote for the election of directors (or comparable equity participation and voting power). The minimum percentage of ownership or control in the previous sentence shall be raised from ten percent to twenty percent for purposes of determining timing of payment of an Award, or amount payable with respect to an Award, that is “deferred compensation” for purposes of Code Section 409A, if payment of such Award or amount would be accelerated or otherwise triggered by the employee’s termination of employment.

“Award” means, individually or collectively, a grant under this Plan to a Participant of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Units, Restricted Stock Units, Performance Shares, Performance Units or other types of equity-based or cash-based incentives hereafter approved by the Committee.

“Award Agreement” means an agreement entered into by the Company and a Participant setting forth the terms and provisions applicable to an Award or Awards granted to the Participant.

“Beneficial Owner” or **“Beneficial Ownership”** has the meaning ascribed to that term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

“Board” or **“Board of Directors”** means the Board of Directors of the Company.

“Cause” has the meaning set forth in any unexpired employment or severance agreement between the Participant and the Company or an Affiliate. If there is no such agreement, “Cause” means:

(a) the willful and continued failure of the Participant substantially to perform his or her duties with or for the Company or an Affiliate;

(b) the Participant’s engaging in conduct that is significantly injurious to the Company or an Affiliate, monetarily or otherwise;

(c) the Participant’s commission of a crime that is significantly injurious to the Company or an Affiliate, monetarily, reputationally or otherwise;

(d) the Participant’s abuse of illegal drugs or other controlled substances; or

(e) the Participant’s habitual intoxication.

Unless otherwise defined in the Participant’s employment or severance agreement, an act or omission is “willful” for the purpose of determining whether a termination of employment was made for “cause” if it was knowingly done, or knowingly omitted to be done, by the Participant not in good faith and without reasonable belief that the act or omission was in the best interest of the Company or an Affiliate. For purposes of this Plan, if a Participant is convicted of a crime or pleads *nolo contendere* to a criminal charge, he or she will conclusively be deemed to have committed the crime. The Committee has the discretion, in other circumstances, to determine in good faith, from all the facts and circumstances reasonably available to it, whether a Participant who is under investigation for, or has been charged with, a crime will be deemed to have committed it for purposes of this Plan.

“Change in Control” of the Company will be deemed to have occurred (as of a particular day, as specified by the Board) as of the first day any one or more of the following paragraphs is satisfied.

(a) Any Person (other than the Company or a trustee or other fiduciary holding securities under an employee benefit plan of the Company, or a corporation owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company) becomes the Beneficial Owner, directly or indirectly, of securities of the Company, representing more than twenty percent of the combined voting power of the Company’s then outstanding securities.

(b) During any period of twenty-six consecutive months beginning on or after the Effective Date, individuals who at the beginning of the period constituted the Board cease for any reason (other than death, Disability or voluntary Retirement) to constitute a majority of the Board. For this purpose, any new Director whose election by the Board, or nomination for election by the Company’s shareholders, was approved by a vote of at least two-thirds of the Directors then still in office, and who either were Directors at the beginning of the period or whose election or nomination for election was so approved, will be deemed to have been a Director at the beginning of any twenty-six month period under consideration.

(c) Consummation of: (i) an agreement for the sale or disposition of all or substantially all the Company’s assets; or (ii) a merger, consolidation or reorganization of the Company with or involving any other corporation, other than a merger, consolidation or reorganization that results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent of the combined voting power of the voting securities of the Company (or such surviving entity) outstanding immediately after such merger, consolidation, or reorganization.

(d) The shareholders of the Company approve a plan of complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, if an Award, or amount payable with respect to an Award, is “deferred compensation” for purposes of Code Section 409A, and if a payment of such Award or amount would be accelerated or otherwise triggered upon a “Change in Control,” then the foregoing definition is modified, to the extent necessary to avoid the imposition of an excise tax under Code Section 409A, to mean a “change in control event” as such term is defined for purposes of Code Section 409A. For purposes of clarity, if an Award would, for example, vest and be paid on a “Change in Control” as defined herein but payment of such Award would violate the provisions of Code Section 409A, then the Award shall vest but will be paid only in compliance with its terms and Code Section 409A (*i.e.*, upon a permissible payment event).

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Committee” means, as specified in Article 3, the Compensation Committee of the Board or such other committee as may be appointed by the Board to administer the Plan.

“Company” means Lear Corporation, a Delaware corporation, and any successor thereto as provided in Article 18.

“Director” means any individual who is a member of the Board of Directors.

“Disability” means (a) long-term disability as defined under the long-term disability plan of the Company or an Affiliate that covers that individual, or (b) if the individual is not covered by such a long-term disability plan, disability as defined for purposes of eligibility for a disability award under the Social Security Act. Notwithstanding the foregoing, for purposes of determining the period of time after termination of employment during which a Participant may exercise an ISO, “Disability” will have the meaning set forth in Section 22(e)(3) of the Code, which is, generally, that the Participant is unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of at least twelve months.

Notwithstanding the foregoing, if an Award, or amount payable with respect to an Award, is “deferred compensation” for purposes of Code Section 409A, and if a payment of such Award or amount would be accelerated or otherwise triggered upon a “Disability,” then the foregoing definition is modified, to the extent necessary to avoid the imposition of an excise tax under Code Section 409A, to refer to a Participant who is “disabled,” as such term is defined for purposes of Code Section 409A. For purposes of clarity, if an Award would, for example, vest and be paid on a “Disability” as defined herein but payment of such Award would violate the provisions of Code Section 409A, then the Award shall vest but will be paid only in compliance with its terms and Code Section 409A (*i.e.*, upon a permissible payment event).

“Effective Date” means November 9, 2009.

“Eligible Employee” or **“Employee”** means any employee of the Company or any of its Affiliates. Directors who are not employed by the Company or its Affiliates will also be considered Eligible Employees and Employees under this Plan.

“Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

“Exercise Price” means the price at which a Share may be purchased by a Participant pursuant to an Option.

“Fair Market Value” means:

(a) the closing trading price of the Shares on the New York Stock Exchange or, if the Shares are not traded on the New York Stock Exchange, on the NASDAQ Stock Market or any other exchange on which they are traded; or

(b) if the Shares are not traded on any exchange, the mean between the closing bid and asked prices of the Shares in the over-the-counter market; or

(c) if those bid and asked prices are not available, then the fair market value as reported by any nationally recognized quotation service selected by the Committee or as determined in good faith by the Committee.

Notwithstanding the foregoing, for purposes of Awards intended to be exempt from Code Section 409A, the Fair Market Value shall be no less than the "fair market value," as such term is defined for purposes of Code Section 409A.

"Freestanding SAR" means an SAR that is granted independently of any Options, as described in Article 7.

"Grandfathered Award" means an Award granted prior to September 11, 2013, other than an Award which by its terms expressly provides that the Award is not to be treated as a Grandfathered Award.

"Incentive Stock Option" or **"ISO"** means an option to purchase Shares granted under Article 6 that is designated as an Incentive Stock Option and that is intended to meet the requirements of Code Section 422.

"Nonqualified Stock Option" or **"NQSO"** means an option to purchase Shares granted under Article 6 that is not intended to meet the requirements of Code Section 422.

"Option" means an Incentive Stock Option or a Nonqualified Stock Option, as described in Article 6.

"Participant" means an Eligible Employee who has been selected by the Committee to participate in the Plan pursuant to Section 5.2 and who has outstanding an Award granted under the Plan. The term "Participant" will also include Directors who are not employees of the Company or an Affiliate for purposes of Awards under the Plan.

"Performance-Based Exception" means the performance-based exception from the tax deductibility limitations of Code Section 162(m) and any regulations promulgated thereunder.

"Performance Period" means the time period during which performance objectives must be met in order for a Participant to earn Performance Units or Performance Shares granted under Article 9.

"Performance Share" means an award with an initial value equal to the Fair Market Value on the date of grant which is based on the Participant's attainment of performance objectives, as described in Article 9.

"Performance Unit" means an award with an initial value established by the Committee at the time of grant which is based on the Participant's attainment of performance objectives, as described in Article 9.

“Person” has the meaning ascribed to that term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a “group” as defined in Section 13(d) thereof.

“Plan” means the Lear Corporation 2009 Long-Term Stock Incentive Plan, as set forth in this document.

“Replacement Award” means an Award resulting from the exchange or substitution specified in Section 14.2 upon a Change in Control and meeting the applicable conditions specified in Section 14.2, provided that such Award is issued by a company (foreign or domestic) the majority of the equity of which is listed under and in compliance with the domestic company listing rules of the New York Stock Exchange or with a similarly liquid exchange which has comparable standards to the domestic listing standards of the New York Stock Exchange.

“Restriction Period” means the period during which the transfer of Shares of Restricted Stock is limited in some way (based on the passage of time, the achievement of performance objectives, or the occurrence of other events as determined by the Committee, at its discretion) or the Restricted Stock is not vested.

“Restricted Stock” means a contingent grant of stock awarded to a Participant pursuant to Article 8.

“Restricted Stock Unit” means a Restricted Unit granted to a Participant, as described in Article 8, that is payable in Shares.

“Restricted Unit” means a notional account established pursuant to an Award granted to a Participant, as described in Article 8, that is (a) credited with amounts equal to Shares or some other unit of measurement specified in the Award Agreement, (b) subject to restrictions and (c) payable in cash or Shares.

“Retirement” means termination of employment on or after (a) reaching the age established by the Company as the normal retirement age in any unexpired employment or severance agreement between the Participant and the Company or an Affiliate, or, in the absence of such an agreement, the normal retirement age under the tax-qualified defined benefit retirement plan or, if none, the tax-qualified defined contribution retirement plan, sponsored by the Company or an Affiliate in which the Participant participates, or (b) reaching age fifty-five with ten years of service with the Company or an Affiliate.

“Shares” means the shares of common stock, $0.01 par value, of the Company, including their associated preferred share purchase rights, if applicable.

“Stock Appreciation Right” or **“SAR”** means an Award, granted alone or in connection with a related Option, designated as an SAR pursuant to the terms of Article 7.

“Tandem SAR” means an SAR that is granted in connection with a related Option pursuant to Article 7, the exercise of which requires forfeiture of the right to purchase a Share under the related Option (and when a Share is purchased under the Option, the Tandem SAR will similarly be canceled).

Article 3. Administration

3.1 The Committee. The Plan will be administered by the Compensation Committee of the Board, or by any other Committee appointed by the Board, which Committee (unless otherwise determined by the Board) will satisfy the “nonemployee director” requirements of Rule 16b-3 under the Exchange Act and the regulations of Rule 16b-3 under the Exchange Act and the “outside director” provisions of Code Section 162(m), or any successor regulations or provisions, so long as the Company is subject to the registration requirements of the Exchange Act. The members of the Committee will be appointed from time to time by, and serve at the discretion of, the Board of Directors. The Committee will act by a majority of its members at the time in office and eligible to vote on any particular matter, and Committee action may be taken either by a vote at a meeting or in writing without a meeting.

3.2 Authority of the Committee. Except as limited by law and subject to the provisions of this Plan, the Committee will have full power to: select Eligible Employees to participate in the Plan; determine the sizes and types of Awards; determine the terms and conditions of Awards in a manner consistent with the Plan; construe and interpret the Plan and any agreement or instrument entered into under the Plan; establish, amend or waive rules and regulations for the Plan’s administration; and (subject to the provisions of Article 15) amend the terms and conditions of any outstanding Award to the extent they are within the discretion of the Committee as provided in the Plan. Further, the Committee will make all other determinations that may be necessary or advisable to administer the Plan. As permitted by law and consistent with Section 3.1, the Committee may delegate some or all of its authority under the Plan.

3.3 Decisions Binding. All determinations and decisions made by the Committee pursuant to the provisions of the Plan will be final, conclusive and binding on all persons, including, without limitation, the Company, its Board of Directors, its shareholders, all Affiliates, employees, Participants and their estates and beneficiaries.

Article 4. Shares Subject to the Plan and Maximum Awards

4.1 Number of Shares Available for Grants. Subject to adjustment as provided in Sections 4.2 and 4.3, the number of Shares that may be issued or transferred to Participants under the Plan is 11,815,748. Subject to adjustment as provided in Section 4.3, the maximum number of Shares and Share equivalent units that may be granted during any calendar year to any one Participant under Options, Freestanding SARs, Restricted Stock, Restricted Units, Restricted Stock Units, Performance Shares or any other Award is 1,000,000, which limit will apply regardless of whether the compensation is paid in Shares or in cash. The maximum number of Shares that may be issued by Options intended to be ISOs is 5,000,000. The maximum aggregate dollar amount that may be paid to any one Participant during any calendar year under Performance Units or any cash incentive Award granted under Section 9.9 is $7,500,000.

The Shares with respect to which Awards may be made will include authorized but unissued Shares, and Shares that are currently held or subsequently acquired by the Company as treasury Shares, including Shares purchased in the open market or in private transactions.

4.2 Lapsed Awards. Any Shares subject to an Award under the Plan that, after the Effective Date, are forfeited, canceled, settled or otherwise terminated without a distribution of Shares to a Participant will thereafter be deemed to be available for Awards. In applying the immediately preceding sentence, if (i) Shares otherwise issuable or issued in respect of, or as part of, any Award other than Options and SARs are withheld to cover taxes, such Shares shall not be treated as having been issued under the Plan and shall again be available for issuance under the Plan, (ii) Shares otherwise issuable or issued in respect of, or as part of, any Award of Options or SARs are withheld to cover taxes or the Exercise Price, such Shares shall be treated as having been issued under the Plan and shall not be available for issuance under the Plan, and (iii) any Share-settled SARs are exercised, the aggregate number of Shares subject to such SARs shall be deemed issued under the Plan and shall not be available for issuance under the Plan. In addition, Shares tendered to exercise outstanding Options or other Awards or to cover applicable taxes on Awards of Options and SARs shall not be available for issuance under the Plan, but Shares tendered to cover applicable taxes on Awards other than Options and SARs shall be available for issuance under the Plan.

4.3 Adjustments in Authorized Shares.

(a) If the Shares, as currently constituted, are changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation (whether because of merger, consolidation, recapitalization, reclassification, split, reverse split, combination of shares, or other similar change in the corporate structure of the Company affecting the Shares) or if the number of Shares is increased through the payment of a stock dividend, then the Committee will substitute for or add to each Share previously appropriated, later subject to, or which may become subject to, an Award, the number and kind of shares of stock or other securities into which each outstanding Share was changed for which each such Share was exchanged, or to which each such Share is entitled, as the case may be. Outstanding Awards will also be appropriately adjusted as to price and other terms, to the extent necessary to reflect the events described above.

(b) Fractional Shares resulting from any adjustment in Awards pursuant to this section may be settled in cash or otherwise as the Committee determines. The Company will give notice of any adjustment to each Participant who holds an Award that has been adjusted and the adjustment (whether or not that notice is given) will be effective and binding for all Plan purposes.

Article 5. Eligibility and Participation

5.1 Eligibility. All Eligible Employees, including Eligible Employees who are members of the Board, are eligible to participate in this Plan.

5.2 Actual Participation. Subject to the provisions of the Plan, the Committee will, from time to time, select those Eligible Employees to whom Awards will be granted, and will determine the nature and amount of each Award.

Article 6. Stock Options

6.1 Grant of Options. Subject to the terms and provisions of the Plan, Options may be granted to Eligible Employees in the number, and upon the terms, and at any time and from time to time, as determined by the Committee.

6.2 Award Agreement. Each Option grant will be evidenced by an Award Agreement that specifies the Exercise Price, the duration of the Option, the number of Shares to which the Option pertains, the manner, time and rate of exercise or vesting of the Option, and such other provisions as the Committee determines. The Award Agreement will also specify whether the Option is intended to be an ISO or an NQSO.

6.3 Exercise Price. The Exercise Price for each share subject to an Option will be at least one hundred percent of the Fair Market Value on the date the Option is granted.

6.4 Duration of Options. Each Option will expire at the time determined by the Committee at the time of grant, but no later than the tenth anniversary of the date of its grant.

6.5 No Dividend Equivalents. Subject to Section 4.3, the Committee may not grant payments in connection with Options that are equivalent to dividends declared and paid on the Shares underlying the Options.

6.6 Exercise of Options. Options will be exercisable at such times and be subject to such restrictions and conditions as the Committee in each instance approves, which need not be the same for each Award or for each Participant.

6.7 Payment. The holder of an Option may exercise the Option only by delivering a written notice of exercise to the Company setting forth the number of Shares as to which the Option is to be exercised, together with full payment at the Exercise Price for the Shares and any withholding tax relating to the exercise of the Option.

The Exercise Price and any related withholding taxes will be payable to the Company in full either: (a) in cash, or its equivalent, in United States dollars; (b) by tendering Shares owned by the Participant and duly endorsed for transfer to the Company, Shares issuable to the Participant upon exercise of the Option, or any combination of cash, certified or cashier's check and Shares described in this clause (b); or (c) by any other means the Committee determines to be consistent with the Plan's purposes and applicable law. Cashless exercise must meet the requirements of the Federal Reserve Board's Regulation T and any applicable securities law restrictions. For this purpose, "cashless" exercise will mean that the Participant notifies the Company it will exercise, and the Company is instructed to deliver the Share issuable on exercise to a broker, who sells the Shares and holds back the exercise price (and, often, the federal and state withholdings). No more than the minimum required withholding may be satisfied by the tender of Shares.

6.8 Restrictions on Share Transferability. The Committee may impose such restrictions on any Shares acquired through exercise of an Option as it deems necessary or advisable, including, without limitation, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which the Shares are then listed or traded, and under any blue sky or state securities laws applicable to the Shares.

6.9 Termination of Employment. Each Option Award Agreement will set forth the extent to which the Participant has the right to exercise the Option after his or her termination of employment with the Company and all Affiliates. These terms will be determined by the Committee in its sole discretion, need not be uniform among all Options, and may reflect, among other things, distinctions based on the reasons for termination of employment.

6.10 Nontransferability of Options. Except as otherwise provided in a Participant’s Award Agreement, no Option granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution, or pursuant to a domestic relations order (as defined in Code Section 414(p)). Further, except as otherwise provided in a Participant’s Award Agreement, all Options will be exercisable during the Participant’s lifetime only by the Participant or his or her guardian or legal representative. The Committee may, in its discretion, require a Participant’s guardian or legal representative to supply it with the evidence the Committee deems necessary to establish the authority of the guardian or legal representative to act on behalf of the Participant.

Article 7. Stock Appreciation Rights

7.1 Grant of SARs. Subject to the terms and conditions of the Plan, SARs may be granted to Participants at any time and from time to time, as determined by the Committee. The Committee may grant Freestanding SARs, Tandem SARs or any combination of the two.

Within the limits of Article 4, the Committee will have sole discretion to determine the number of SARs granted to each Participant and, consistent with the provisions of the Plan, to determine the terms and conditions pertaining to SARs.

The grant price of a SAR will equal the Fair Market Value on the date of grant of the SAR.

7.2 Exercise of Tandem SARs. Tandem SARs may be exercised for all or part of the Shares subject to the related Option, upon the surrender of the right to exercise the equivalent portion of the related Option. A Tandem SAR may be exercised only with respect to the Shares for which its related Option is then exercisable.

7.3 Exercise of Freestanding SARs. Freestanding SARs may be exercised upon whatever terms and conditions the Committee, in its sole discretion, imposes.

7.4 Award Agreement. Each SAR grant will be evidenced by an Award Agreement that specifies the grant price, the term of the SAR and such other provisions as the Committee determines.

7.5 Term of SARs. The term of an SAR will be determined by the Committee, in its sole discretion, but may not exceed ten years.

7.6 Payment of SAR Amount. Upon exercise of an SAR, a Participant will be entitled to receive payment from the Company in an amount determined by multiplying:

(a) the excess (or some portion of the excess as determined at the time of the grant by the Committee) if any, of the Fair Market Value on the date of exercise of the SAR over the grant price specified in the Award Agreement; by

(b) the number of Shares as to which the SAR is exercised.

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

7.7 Termination of Employment. Each SAR Award Agreement will set forth the extent to which the Participant has the right to exercise the SAR after his or her termination of employment with the Company and all Affiliates. These terms will be determined by the Committee in its sole discretion, need not be uniform among all SARs issued under the Plan, and may reflect, among other things, distinctions based on the reasons for termination of employment.

7.8 Nontransferability of SARs. Except as otherwise provided in a Participant’s Award Agreement, no SAR may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution, or pursuant to a domestic relations order (as defined in Code Section 414(p)). Further, except as otherwise provided in a Participant’s Award Agreement, all SARs will be exercisable during the Participant’s lifetime only by the Participant or the Participant’s guardian or legal representative. The Committee may, in its discretion, require a Participant’s guardian or legal representative to supply it with evidence the Committee deems necessary to establish the authority of the guardian or legal representative to act on behalf of the Participant.

7.9 No Dividend Equivalents. Subject to Section 4.3, the Committee may not grant payments in connection with SARs that are equivalent to dividends declared and paid on the Shares underlying the SARs.

Article 8. Restricted Stock, Restricted Stock Units and Restricted Units

8.1 Grant of Restricted Stock, Restricted Stock Units or Restricted Units. Subject to the terms and provisions of the Plan, the Committee may, at any time and from time to time, grant Restricted Stock, Restricted Stock Units or Restricted Units to Participants in such amounts as it determines.

8.2 Award Agreement. Each grant of Restricted Stock, Restricted Units or Restricted Stock Units will be evidenced by an Award Agreement that specifies the Restriction Periods, the number of Shares or Share equivalent units granted, and such other provisions as the Committee determines.

8.3 Nontransferability. Restricted Stock, Restricted Units and Restricted Stock Units granted herein may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution, or pursuant to a domestic relations order (as defined in Code Section 414(p)), until the end of the applicable Restriction Period as specified in the Award Agreement, or upon earlier satisfaction of any other conditions specified by the Committee in its sole discretion and set forth in the Award Agreement. All rights with respect to Restricted Stock, Restricted Units and Restricted Stock Units will be available during the Participant's lifetime only to the Participant or the Participant's guardian or legal representative. The Committee may, in its discretion, require a Participant's guardian or legal representative to supply it with evidence the Committee deems necessary to establish the authority of the guardian or legal representative to act on behalf of the Participant.

8.4 Other Restrictions. Subject to Article 11, the Committee may impose such other conditions or restrictions on any Restricted Stock, Restricted Units or Restricted Stock Units as it deems advisable including, without limitation, restrictions based upon the achievement of specific performance objectives (Company-wide, business unit, individual, or any combination of them), time-based restrictions on vesting following the attainment of the performance objectives, and restrictions under applicable federal or state securities laws. The Committee may provide that restrictions established under this Section 8.4 as to any given Award will lapse all at once or in installments.

The Company will retain the certificates representing Shares of Restricted Stock in its possession until all conditions and restrictions applicable to the Shares have been satisfied.

8.5 Payment of Awards. Except as otherwise provided in this Article 8, Shares covered by each Restricted Stock grant will become freely transferable by the Participant after the last day of the applicable Restriction Period, and Share equivalent units covered by a Restricted Unit or Restricted Stock Unit will be paid out in cash or Shares to the Participant following the last day of the applicable Restriction Period, or on a later date provided in the Award Agreement.

8.6 Voting Rights. During the Restriction Period, Participants holding Shares of Restricted Stock may exercise full voting rights with respect to those Shares.

8.7 Dividends and Other Distributions. During the Restriction Period, Participants awarded Shares of Restricted Stock, Restricted Units or Restricted Stock Units hereunder will be credited with regular cash dividends or dividend equivalents paid on those Shares or with respect to those Share equivalent units. Dividends may be paid currently, accrued as contingent cash obligations, or converted into additional Shares of Restricted Stock, upon such terms as the Committee establishes.

The Committee may apply any restrictions it deems advisable to the crediting and payment of dividends and other distributions. Without limiting the generality of the preceding sentence, if the grant or vesting of Restricted Stock is designed to qualify for the Performance-Based Exception, the Committee may apply any restrictions it deems appropriate to the payment of dividends declared with respect to the Restricted Stock, so that the dividends and the Restricted Stock continue to be eligible for the Performance-Based Exception.

8.8 Termination of Employment. Each Award Agreement will set forth the extent to which the Participant has the right to retain unvested Restricted Stock, Restricted Stock Units or Restricted Units after his or her termination of employment with the Company or an Affiliate. These terms will be determined by the Committee in its sole discretion, need not be uniform among all Awards of Restricted Stock, and may reflect, among other things, distinctions based on the reasons for termination of employment.

Article 9. Performance Units, Performance Shares and Other Awards

9.1 Grant of Performance Units or Performance Shares. Subject to the terms of the Plan, Performance Units or Performance Shares may be granted to Participants in such amounts and upon such terms, and at any time and from time to time, as the Committee determines.

9.2 Value of Performance Units and Performance Shares. Each Performance Unit will have an initial value established by the Committee at the time of grant. Each Performance Share will have an initial value equal to the Fair Market Value on the date of grant. The Committee will set performance objectives in its discretion which, depending on the extent to which they are met, will determine the number or value (or both) of Performance Units or Performance Shares that will be paid out to the Participant. For purposes of this Article 9, the time period during which the performance objectives must be met will be called a "Performance Period" and will be set by the Committee in its discretion.

9.3 Earning of Performance Units and Performance Shares. Subject to the terms of this Plan, after the applicable Performance Period has ended, the holder of Performance Units or Performance Shares will be entitled to receive payout on the number and value of Performance Units or Performance Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives have been achieved.

9.4 Award Agreement. Each grant of Performance Units or Performance Shares will be evidenced by an Award Agreement specifying the material terms and conditions of the Award (including the form of payment of earned Performance Units or Performance Shares), and such other provisions as the Committee determines.

9.5 Form and Timing of Payment of Performance Units and Performance Shares. Except as provided in Article 12, payment of earned Performance Units and Performance Shares will be made as soon as practicable after the close of the applicable Performance Period, in a manner determined by the Committee in its sole discretion. The Committee will pay earned Performance Units and Performance Shares in the form of cash, in Shares, or in a combination of cash and Shares, as specified in the Award Agreement. Performance Shares may be paid subject to any restrictions deemed appropriate by the Committee.

9.6 Termination of Employment Due to Death or Disability. Unless determined otherwise by the Committee and set forth in the Participant's Award Agreement, if a Participant's employment is terminated by reason of death or Disability during a Performance

Period, the Participant will receive a prorated payout of the Performance Units or Performance Shares, as specified by the Committee in its discretion in the Award Agreement. Payment of earned Performance Units and Performance Shares will be made at a time specified by the Committee in its sole discretion and set forth in the Participant's Award Agreement.

9.7 Termination of Employment for Other Reasons. If a Participant's employment terminates during a Performance Period for any reason other than death or Disability, the Participant will forfeit all Performance Units and Performance Shares to the Company, unless the Participant's Award Agreement provides otherwise.

9.8 Nontransferability. Except as otherwise provided in a Participant's Award Agreement, Performance Units and Performance Shares may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution, or pursuant to a domestic relations order (as defined in Code Section 414(p)). Further, except as otherwise provided in a Participant's Award Agreement, a Participant's rights under the Plan will be exercisable during the Participant's lifetime only by the Participant or Participant's guardian or legal representative. The Committee may, in its discretion, require a Participant's guardian or legal representative to supply it with evidence the Committee deems necessary to establish the authority of the guardian or legal representative to act on behalf of the Participant.

9.9 Other Awards. In addition to the Awards described in Articles 6 through 8 and Sections 9.1 through 9.8 above, and subject to the terms of the Plan, the Committee may grant other incentives payable in cash or Shares under the Plan as it determines to be in the best interests of the Company and subject to such other terms and conditions as it deems appropriate.

Article 10. Performance Measures

Unless and until the Committee proposes and the Company's shareholders approve a change in the general performance measures set forth in this Article 10, the performance measure(s) to be used for purposes of Awards designed to qualify for the Performance-Based Exception will be chosen from among the following alternatives:

(a) net earnings;

(b) operating earnings or income;

(c) earnings growth;

(d) net sales growth;

(e) net income (absolute or competitive growth rates comparative);

(f) net income applicable to common stock;

(g) cash flow, including operating cash flow, free cash flow, discounted cash flow return on investment, and cash flow in excess of cost of capital;

(h) earnings per share of common stock;

(i) return on shareholders equity (absolute or peer-group comparative);

(j) stock price (absolute or peer-group comparative);

(k) absolute and/or relative return on common shareholders equity;

(l) absolute and/or relative return on capital;

(m) absolute and/or relative return on assets;

(n) economic value added (income in excess of cost of capital);

(o) customer satisfaction;

(p) quality metrics;

(q) expense reduction; and

(r) ratio of operating expenses to operating revenues.

The Committee may specify any reasonable definition of the performance measures it uses. Such definitions may provide for reasonable adjustments and may include or exclude items, including but not limited to: investment gains and losses; extraordinary, unusual or non-recurring items; gains or losses on the sale of assets; effects of changes in accounting principles or the application thereof; asset impairment charges; effects of currency fluctuations; acquisitions, divestitures, or financing activities; recapitalizations, including stock splits and dividends; expenses for restructuring or productivity initiatives; discontinued operations; and other non-operating items.

The Committee will have the discretion to adjust targets set for preestablished performance objectives; however, Awards designed to qualify for the Performance-Based Exception may not be adjusted upward, except to the extent permitted under Code Section 162(m), to reflect accounting changes or other events.

If Code Section 162(m) or other applicable tax or securities laws change to allow the Committee discretion to change the types of performance measures without obtaining shareholder approval, the Committee will have sole discretion to make such changes without obtaining shareholder approval. In addition, if the Committee determines it is advisable to grant Awards that will not qualify for the Performance-Based Exception, the Committee may grant Awards that do not so qualify.

Article 11. Beneficiary Designation

Each Participant may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in case the Participant should die before receiving any or all of his or her Plan benefits. Each beneficiary designation will revoke all prior designations by the same Participant, must be in a form prescribed by the Committee, and must be made during the Participant's lifetime. If the Participant's designated beneficiary predeceases the Participant or no beneficiary has been designated, benefits remaining unpaid at the Participant's death will be paid to the Participant's estate or other entity described in the Participant's Award Agreement.

Article 12. Deferrals

The Committee may, consistent with the requirements of Code Section 409A, permit a Participant to defer receipt of cash or Shares that would otherwise be due to him or her by virtue of an Option or SAR exercise, the lapse or waiver of restrictions on Restricted Stock, Restricted Stock Units, Restricted Units or other Awards, or the satisfaction of any requirements or objectives with respect to Performance Units, Performance Shares or other Awards. If any such deferral election is permitted, the Committee will, in its sole discretion, establish rules and procedures for such deferrals consistent with the requirements of Code Section 409A.

Article 13. Rights of Employees

13.1 Employment. Nothing in the Plan will interfere with or limit in any way the right of the Company or any affiliate of the Company (as defined in federal securities laws) to terminate any Participant's employment at any time, or confer upon any Participant any right to continue in the employ of the Company or any Affiliate.

13.2 Participation. No Eligible Employee will have the right to receive an Award under this Plan, or, having received any Award, to receive a future Award.

Article 14. Change in Control

14.1 Grandfathered Awards. With respect to Grandfathered Awards, upon the occurrence of a Change in Control, unless otherwise specifically prohibited under applicable laws, or by the rules and regulations of any governing governmental agencies or national securities exchanges:

(a) any and all outstanding Options and SARs will become immediately exercisable (and will deemed to be exercisable immediately prior to the Change in Control), and will remain exercisable throughout their entire term (the "Vested Options and SARs"); provided, however, that, with respect to Vested Options and SARs that are not exercised in connection with the Change in Control, such Vested Options and SARs will be subject to the provisions of Section 14.1(e) below, as applicable;

(b) any Restriction Periods or other restrictions imposed on Restricted Stock, Restricted Stock Units and Restricted Units will lapse, except that the degree of vesting associated with those awards that is conditioned on the achievement of performance conditions will be determined as set forth in Section 14.1(c) or Section 14.1(d), as applicable;

(c) except as otherwise provided in the Award Agreement, the vesting of all Performance Units and Performance Shares will be accelerated as of the effective date of the Change in Control, and Participants will be paid in cash, within thirty days after the effective date of the Change in Control, a pro rata amount based on an assumed achievement of all relevant performance objectives at target levels, and upon the length of time within the Performance Period that elapsed prior to the effective date of the Change in Control;

(d) notwithstanding the foregoing, if the Committee determines that actual performance to the effective date of the Change in Control exceeds target levels, the prorated payouts made pursuant to Sections 14.1(b) and (c) will be made at levels commensurate with the actual performance (determined by extrapolating the actual performance to the end of the Performance Period) based on the length of time within the Performance Period that elapsed prior to the Change in Control; and

(e) (i) if the Company is a party to an agreement that is reasonably likely to result in a Change in Control, such agreement may provide for: (A) the continuation of the Vested Options and SARs by the Company, if the Company is the surviving corporation; (B) the assumption of the Vested Options and SARs by the surviving

corporation or its parent or subsidiary; (C) the substitution by the surviving corporation or its parent or subsidiary of equivalent awards for the Vested Options and SARs; or (D) settlement of the Vested Options and SARs for the Change in Control Price (less, to the extent applicable, the per share exercise or grant price), or, if the per share exercise or grant price equals or exceeds the Change in Control Price, such Vested Options and SARs shall terminate and be canceled.

(ii) to the extent that Restricted Stock, Restricted Units and Restricted Stock Units settle in Shares in accordance with their terms upon a Change in Control, such Shares shall be entitled to receive as a result of the Change in Control transaction the same consideration as the Shares held by shareholders of the Company as a result of the Change in Control transaction.

For purposes of this Section 14.1(e), Change in Control Price shall mean the Fair Market Value of a Share upon a Change in Control. To the extent that the consideration paid in any such Change in Control transaction consists all or in part of securities or other non-cash consideration, the value of such securities or other non-cash consideration shall be determined in good faith by the Committee.

14.2 Awards Other than Grandfathered Awards. Upon the occurrence of a Change in Control, the following provisions of this Section 14.2 shall apply to Awards that are not Grandfathered Awards, unless the Committee shall determine otherwise at the time of grant with respect to a particular Award and unless otherwise specifically prohibited under applicable laws, or by the rules and regulations of any governing governmental agencies or national securities exchanges:

(a) Options and SARs.

(i) Any outstanding Options and SARs, unless exchanged by the Company for a Replacement Award, will become immediately exercisable (and will deemed to be exercisable immediately prior to the Change in Control), and will remain exercisable throughout the remainder of their term (the "Vested Options and SARs"); provided, however, that, with respect to Vested Options and SARs that are not exercised upon the Change in Control, such Vested Options and SARs will be subject to the provisions of Section 14.2(d) below, as applicable.

(ii) Any Option or SAR may be exchanged by the Company upon the Change in Control for a Replacement Award that satisfies the conditions of this Section 14.2(a)(ii). The Replacement Award shall have equivalent value and vest and become exercisable in accordance with the vesting schedule and term for exercisability, in each case that applied to the corresponding Option or SAR for which it is being exchanged, provided, however, that if within twenty-four (24) months of such Change in Control, the Participant's employment with the Company is terminated by the Company without Cause or by the Participant for Good Reason (as defined in the Participant's employment agreement for Participants who are party to an employment agreement with the Company), such Award, to the extent then outstanding, shall become fully vested and exercisable upon such termination of employment.

(b) Restricted Stock, Restricted Stock Units and Restricted Units.

(i) Any Restriction Periods or other restrictions imposed on Restricted Stock, Restricted Stock Units and Restricted Units that are not exchanged by the Company for a Replacement Award will lapse, except that the degree of vesting associated with those Awards that is conditioned on the achievement of performance conditions will be determined as set forth in Section 14.2(c).

(ii) Any Restricted Stock, Restricted Stock Unit, or Restricted Unit may be exchanged by the Company upon the Change in Control for a Replacement Award that satisfies the conditions of this Section 14.2(b)(ii). The Replacement Award shall have equivalent value to the Award for which it is being exchanged and shall vest in accordance with the vesting schedule that applied to the corresponding Award for which it is being exchanged, provided, however, that if within twenty four (24) months of such Change in Control, the Participant's employment with the Company is terminated by the Company without Cause or by the Participant for Good Reason (as defined in the Participant's employment agreement for Participants who are party to an employment agreement with the Company), such Award, to the extent then outstanding, shall become free of all contingencies, restrictions and limitations and become vested and transferable (or paid) upon such termination of employment.

(c) Performance Shares and Performance Units.

(i) Except as otherwise provided in the Award Agreement, the vesting of all Performance Units and Performance Shares that are not exchanged by the

Company for a Replacement Award will be accelerated as of the effective date of the Change in Control, and Participants will be paid, within thirty days after the effective date of the Change in Control, an amount in cash based on an assumed achievement of all relevant performance objectives at target levels.

(ii) Any Performance Share or Performance Unit may be exchanged by the Company upon a Change in Control for a Replacement Award that satisfies the conditions of this Section 14.2(c)(ii). The Replacement Award shall not be subject to any performance condition referred to in Article 10 above or otherwise, but instead shall be subject solely to the restrictions, if any, of the Award for which it is being exchanged that are based on the passage of time through the expiration date of the performance period utilized in the Award for which it is being exchanged. The number or value of such Replacement Award shall be determined based on the assumed achievement of all of the relevant performance objectives of the Award for which it is being exchanged at their target levels. Notwithstanding the foregoing in this Section 14.2(c)(ii), if within twenty four (24) months of such Change in Control, the Participant's employment with the Company is terminated by the Company without Cause or by the Participant for Good Reason (as defined in the Participant's employment agreement for Participants who are party to an employment agreement with the Company), such Replacement Award, to the extent then outstanding, shall become free of all contingencies, restrictions and limitations and become vested and transferable (or paid) upon such termination of employment.

(d) (i) If the Company is a party to an agreement that is reasonably likely to result in a Change in Control, such agreement may provide for settlement of the Vested Options and SARs for the Change in Control Price (less, to the extent applicable, the per share exercise or grant price), or, if the per share exercise or grant price equals or exceeds the Change in Control Price, such Vested Options and SARs shall terminate and be canceled.

(ii) To the extent that Restricted Stock, Restricted Units and Restricted Stock Units settle in Shares in accordance with their terms upon a Change in Control, such Shares shall be entitled to receive as a result of the Change in Control transaction the same consideration as the Shares held by shareholders of the Company as a result of the Change in Control transaction.

For purposes of this Section 14.2(d), Change in Control Price shall mean the Fair Market Value of a Share upon a Change in Control. To the extent that the consideration paid in any such Change in Control transaction consists all or in part of securities or other non-cash consideration, the value of such securities or other non-cash consideration shall be determined in good faith by the Committee.

14.3 Termination, Amendment and Modifications of Change in Control Provisions. Notwithstanding any other provision of this Plan or any provision in an Award Agreement, this Article 14 may not be terminated, amended or modified on or after the effective date of a Change in Control in a way that would adversely affect any Award in any material way theretofore granted to a Participant, unless the Participant gives his or her prior written consent to the termination, amendment or modification.

Article 15. Amendment, Modification and Termination

15.1 Amendment, Modification and Termination. Subject to Section 14.3, the Committee or Board may at any time and from time to time, alter, amend, modify or terminate the Plan in whole or in part. The Committee or Board will not, however, increase the number of Shares that may be issued or transferred to Participants under the Plan, as described in the first sentence of Section 4.1 (and subject to adjustment as provided in Sections 4.2 and 4.3).

Subject to the terms and conditions of the Plan, the Committee may modify, extend or renew outstanding Awards under the Plan, or accept the surrender of outstanding Awards (to the extent not already exercised) and grant new Awards in substitution of them (to the extent not already exercised). Except as provided in Sections 4.3 and 15.2, the Committee will not, however, modify any outstanding Option or SAR so as to specify a lower Exercise Price or grant price (and will not cancel an Option or SAR and substitute for it an Option or SAR with a lower Exercise price or grant price), without the approval of the Company's shareholders. In addition, except as provided in Sections 4.3 and 15.2, the Committee may not cancel an outstanding Option or SAR whose Exercise Price or grant price is equal to or greater than the current Fair Market Value of a Share and substitute for it another Award or cash payment without the prior approval of the Company's shareholders. Notwithstanding the foregoing, no alteration, modification or termination of an Award will, without the prior written consent of the Participant, adversely alter or impair any rights or obligations under any Award already granted under the Plan.

15.2 Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. The Committee may, using reasonable care, make adjustments in the terms and conditions of, and the criteria included in, Awards in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan (i) in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4.3) affecting the Company or its financial statements, (ii) in recognition of changes in applicable laws, regulations, or accounting principles, or (iii) whenever the Committee determines that such adjustments are necessary, equitable and/or appropriate. In the case of an Award designed to qualify for the Performance-Based Exception, the Committee will take care not to make an adjustment that would disqualify the Award.

15.3 Awards Previously Granted. No termination, amendment or modification of the Plan will adversely affect in any material way any Award already granted, without the written consent of the Participant who holds the Award.

15.4 Compliance with Code Section 162(m) and Code Section 409A. Awards will comply with the requirements of Code Section 162(m), unless the Committee determines that such compliance is not desired with respect to an Award available for grant under the Plan. In addition, if changes are made to Code Section 162(m) to permit greater flexibility as to any Award available under the Plan, the Committee may, subject to this Article 15, make any adjustments it deems appropriate. The Plan and Awards, and all amounts payable with respect to

Awards, are intended to comply with, or be exempt from, Code Section 409A and the interpretative guidance thereunder and shall be construed, interpreted and administered accordingly. If an unintentional operational failure occurs with respect to Code Section 409A, any affected Participant or beneficiary shall fully cooperate with the Company to correct the failure to the extent possible in accordance with any correction procedure established by the U.S. Department of the Treasury. If a Participant is a "specified employee" (as such term is defined for purposes of Code Section 409A) at the time of his or her termination of employment, no amount that is subject to Code Section 409A and that becomes payable by reason of such termination of employment shall be paid to the Participant before the earlier of (i) the expiration of the six-month period measured from the date of the Participant's termination of employment, and (ii) the date of the Participant's death. A termination of employment shall be deemed to occur only if it is a "separation from service" within the meaning of Code Section 409A, and references in the Plan and any Award Agreement to "termination," "termination of employment," or like terms shall mean a "separation from service." A separation from service shall be deemed to occur if it is anticipated that the level of services the Participant will perform after a certain date (whether as an employee or as an independent contractor) will permanently decrease to no more than twenty percent (20%) of the average level of services provided by the Participant in the immediately preceding thirty-six (36) months.

Article 16. Withholding

16.1 Tax Withholding. The Company will have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising under this Plan. No Award Agreement will permit reload options to be granted in connection with any Shares used to pay a tax withholding obligation.

16.2 Share Withholding. With respect to withholding required upon the exercise of Options or SARs, upon the lapse of restrictions on Restricted Stock, or upon any other taxable event arising as a result of Awards granted hereunder, the Company may satisfy the minimum withholding requirement for supplemental wages, in whole or in part, by withholding Shares having a Fair Market Value (determined on the date the Participant recognizes taxable income on the Award) equal to the minimum withholding tax required to be collected on the transaction. The Participant may elect, subject to the approval of the Committee, to deliver the necessary funds to satisfy the withholding obligation to the Company, in which case there will be no reduction in the Shares otherwise distributable to the Participant.

Article 17. Indemnification

Each person who is or has been a member of the Committee or the Board will be indemnified and held harmless by the Company from and against any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or as a result of any claim, action, suit or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken, or failure to act, under the Plan. Each such person will also be indemnified and held harmless by the Company from and against any and all amounts paid by him or her in a settlement approved by the Company, or paid by him or her in satisfaction of any judgment, of or in a claim, action, suit or proceeding against him or her and described in the previous sentence, so long as he or she gives the Company an opportunity, at its own expense, to handle and defend the claim, action, suit or proceeding before he or she undertakes to handle and defend it. The foregoing right of indemnification will not be exclusive of any other rights of indemnification to which a person who is or has been a member of the Committee or the Board may be entitled under the Company's Certificate of Incorporation or By-Laws, as a matter of law, or otherwise, or any power that the Company may have to indemnify him or her or hold him or her harmless.

Article 18. Successors

All obligations of the Company under the Plan or any Award Agreement will be binding on any successor to the Company, whether the existence of the successor results from a direct or indirect purchase of all or substantially all of the business or assets of the Company or both, or a merger, consolidation, or otherwise.

Article 19. Legal Construction

19.1 Number. Except where otherwise indicated by the context, any plural term used in this Plan includes the singular and a singular term includes the plural.

19.2 Severability. If any provision of the Plan is held illegal or invalid for any reason, the illegality or invalidity will not affect the remaining parts of the Plan, and the Plan will be construed and enforced as if the illegal or invalid provision had not been included.

19.3 Requirements of Law. The granting of Awards and the issuance of Share or cash payouts under the Plan will be subject to all applicable laws, rules, and regulations, and to any approvals by governmental agencies or national securities exchanges as may be required.

19.4 Securities Law Compliance. As to any individual who is, on the relevant date, an officer, director or ten percent beneficial owner of any class of the Company's equity securities that is registered pursuant to Section 12 of the Exchange Act, all as defined under Section 16 of the Exchange Act, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 under the Exchange Act, or any successor rule. To the extent any provision of the Plan or action by the Committee fails to so comply, it will be deemed null and void, to the extent permitted by law and deemed advisable by the Committee.

19.5 Awards to Foreign Nationals and Employees Outside the United States. To the extent the Committee deems it necessary, appropriate or desirable to comply with foreign law or practice and to further the purposes of this Plan, the Committee may, without amending the Plan, (i) establish a sub-plan hereunder and/or rules applicable to Awards granted to Participants who are foreign nationals, are employed outside the United States, or both, including rules that differ from those set forth in this Plan, and (ii) grant Awards to such Participants in accordance with those rules.

19.6 Unfunded Status of the Plan. The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments or deliveries of Shares not yet made to a Participant by the Company, the Participant's rights are no greater than those of a general creditor of the Company. The Committee may authorize the establishment of trusts or other arrangements to meet the obligations created under the Plan, so long as the arrangement does not cause the Plan to lose its legal status as an unfunded plan.

19.7 Governing Law. To the extent not preempted by federal law, the Plan and all agreements hereunder will be construed in accordance with and governed by the laws of the State of Michigan without giving effect to principles of conflicts of law.

Article 20. Incentive Compensation Recoupment Policy

Notwithstanding any provision in the Plan or in any Award Agreement to the contrary, all Awards are subject to the Incentive Compensation Recoupment Policy established by the Company, as amended from time to time.

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Exhibit 10.10

LEAR CORPORATION
OUTSIDE DIRECTORS COMPENSATION PLAN

As Amended and Restated Effective January 1, 2014

LEAR CORPORATION
OUTSIDE DIRECTORS COMPENSATION PLAN

Article 1. Establishment, Objectives and Duration

1.1 Amendment and Restatement of Plan. Lear Corporation, a Delaware corporation, hereby amends and restates the compensation plan for non-employee directors known as the “Lear Corporation Outside Directors Compensation Plan” (hereinafter referred to as the “Plan”), as set forth in this document.

1.2 Plan Objectives. The objectives of the Plan are to give the Company an advantage in attracting and retaining Outside Directors and to link the interests of Outside Directors to those of the Company’s stockholders.

1.3 Duration of the Plan. The Plan commenced on January 1, 2004 and will remain in effect until the Board of Directors terminates it pursuant to Section 9.1.

Article 2. Definitions

The following defined terms have the meanings set forth below:

“Account” means a notional account in the Outside Director’s name to which compensation not immediately payable to him or her and, if applicable, interest earned thereon, is credited.

“Affiliate” means any person that, directly or indirectly, is in control of, is controlled by, or is under common control with, the Company.

“Annual Retainer” means the retainer fee established by the Board in accordance with Section 5.1 and paid to an Outside Director for services performed as a member of the Board of Directors for a Plan Year.

“Beneficiary” means the person entitled under Section 6.5 to receive payment of the balances remaining in an Outside Director’s Account in case the Outside Director dies before the entire balance in that Account has been paid.

“Board” or **“Board of Directors”** means the Board of Directors of the Company.

“Change in Control” of the Company will be deemed to have occurred (as of a particular day, as specified by the Board) as of the first day any one or more of the following paragraphs is satisfied.

(a) Any Person (other than the Company or a trustee or other fiduciary holding securities under an employee benefit plan of the Company, or a corporation owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company) becomes the Beneficial Owner, directly or indirectly, of securities of the Company, representing more than twenty percent of the combined voting power of the Company's then outstanding securities.

(b) During any period of twenty-six consecutive months beginning on or after the Effective Date, individuals who at the beginning of the period constituted the Board cease for any reason (other than death, Disability or voluntary Retirement) to constitute a majority of the Board. For this purpose, any new Director whose election by the Board, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds of the Directors then still in office, and who either were Directors at the beginning of the period or whose election or nomination for election was so approved, will be deemed to have been a Director at the beginning of any twenty-six month period under consideration.

(c) Consummation of: (i) an agreement for the sale or disposition of all or substantially all the Company's assets; or (ii) a merger, consolidation or reorganization of the Company with or involving any other corporation, other than a merger, consolidation or reorganization that results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent of the combined voting power of the voting securities of the Company (or such surviving entity) outstanding immediately after such merger, consolidation, or reorganization.

(d) The shareholders of the Company approve a plan of complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, if an amount is "deferred compensation" for purposes of Code Section 409A, and if payment of such amount would be accelerated or otherwise triggered upon a "Change in Control," then the foregoing definition is modified, to the extent necessary to avoid the imposition of an excise tax under Code Section 409A, to mean a "change in control event" as such term is defined for purposes of Code Section 409A. For purposes of clarity, if an amount would, for example, vest and be paid on a "Change in Control" as defined herein but payment of such amount would violate the provisions of Code Section 409A, then the amount shall vest but will be paid only in compliance with its terms and Code Section 409A (*i.e.*, upon a permissible payment event).

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor to it.

"Committee Meeting Fee" means the fee established by the Board in accordance with Section 5.1 and paid to an Outside Director for each attendance at a meeting of a Board committee (including telephonic meetings but excluding execution of unanimous written consents).

“Common Stock Fair Market Value” means the average of the high and low prices of publicly traded Shares on the national exchange on which the Shares are listed as of a particular date.

“Company” means Lear Corporation, a Delaware corporation, and any successor thereto as provided in Section 9.3.

“Deferral Election” has the meaning ascribed to it in Section 6.1.

“Director” means any individual who is a member of the Board of Directors.

“Disability” means the individual is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

“Effective Date” has the meaning ascribed to it in Section 8.1.

“Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time, or any successor to it.

“Grandfathered Account” means the portion of an Account attributable to compensation that was deferred and vested as of December 31, 2004.

“Installment Payment” has the meaning ascribed to it in Section 5.1.

“Meeting Fee” means the fee established by the Board in accordance with Section 5.1 and paid to an Outside Director for each attendance at a meeting of the Board of Directors (including telephonic meetings but excluding execution of unanimous written consents).

“Non-Executive Chairman” means the Outside Director selected by the Board as the non-executive Chairman of the Board.

“Nongrandfathered Account” means the portion of an Account that is not a Grandfathered Account.

“Outside Director” means a Director who, at the time in question, is not an employee of the Company or any of its Affiliates.

“Plan” has the meaning ascribed to it in Section 1.1.

“Plan Year” means the 12 month period beginning on January 1 and ending on the next following December 31.

“Plan Year Account” for a given Plan Year means the portion of a Participant’s Account attributable to compensation deferred for such Plan Year.

"Presiding Director" means the Outside Director selected by the other Outside Directors as the presiding Director at meetings of the Outside Directors held in accordance with applicable rules of any securities exchange on which the Company's securities are listed.

"Restricted Grant" means a grant made pursuant to Section 5.2 that is subject to vesting and other restrictions as set forth in Article 7.

"Retirement" means a Separation from Service (a) upon or after attaining 70 years of age, or (b) upon or after serving six years as a Director, or (c) upon such other circumstances that the Board, in its sole discretion, affirmatively determines not to be adverse to the best interests of the Company.

"Separation from Service" or "Separate from Service" means ceasing to be a Director of the Company for any reason. Notwithstanding anything to the contrary, the determination of whether an individual has had a Separation from Service will be made in accordance with Code Section 409A and the regulations thereunder.

"Shares" means the shares of common stock, $.01 par value, of the Company, including their associated preferred share purchase rights.

"Termination Date" means the date on which an Outside Director has a Separation from Service.

Article 3. Administration

3.1 The Board of Directors. The Plan will be administered by the Board of Directors. The Board of Directors will act by a majority of its members at the time in office and eligible to vote on any particular matter, and may act either by a vote at a meeting or in writing without a meeting.

3.2 Authority of the Board of Directors. Except as limited by law and subject to the provisions herein, the Board of Directors has full power to: construe and interpret the Plan and any agreement or instrument entered into under the Plan; establish, amend or waive rules and regulations for the Plan's administration; and amend the terms and conditions of the Plan. Further, the Board of Directors will make all other determinations which may be necessary or advisable for the administration of the Plan. As permitted by law and consistent with Section 3.1, the Board of Directors may delegate some or all of its authority under this Plan.

3.3 Decisions Binding. All determinations and decisions made by the Board of Directors pursuant to the provisions of the Plan will be final, conclusive and binding on all persons, including the Company, its stockholders, all Affiliates, Outside Directors and their estates and beneficiaries.

Article 4. Eligibility

Each Outside Director of the Board during a Plan Year will participate in the Plan for that year.

Article 5. Annual Retainer and Stock Grant

5.1 Amount Payable in Cash. Each Outside Director will be entitled to receive an Annual Retainer in the amount determined from time to time by the Board. Until changed by resolution of the Board of Directors, the Annual Retainer will be $110,000 for each Outside Director, provided that the Annual Retainer for the Presiding Director will be increased by $10,000 and the Annual Retainer for the Non-Executive Chairman shall be increased by $75,000. In addition, the Annual Retainer for each of the chairs of the Audit Committee and the Compensation Committee will be increased by $20,000 and the Annual Retainer for the chair of the Nominating and Corporate Governance Committee will be increased by $12,500.

To the extent the Outside Director has not made a Deferral Election with respect to the Annual Retainer, it will be paid in monthly cash installments (the "Installment Payments") to the Outside Director, payable on the last business day of the month preceding the month to which the installment applies. Each Installment Payment to an Outside Director will equal the quotient of the Outside Director's Annual Retainer divided by twelve. Any Outside Director who first becomes an Outside Director during a calendar month will be entitled to an Installment Payment for that month unless, immediately before becoming an Outside Director, he or she was a Director who was an employee of the Company or any of its Affiliates. Notwithstanding the foregoing, with respect to any Outside Director who was a participant in the Plan as of January 29, 2010, a portion of the Annual Retainer equal to $24,000 for each of the Plan Years 2010, 2011 and 2012, will be treated as a Restricted Grant pursuant to Section 5.3 and paid according to Article 7.

No Meeting Fees shall be paid with respect to the first twelve meetings of the Board attended by an Outside Director in any Plan Year. Each Outside Director will be entitled to receive a Meeting Fee, in the amount determined from time to time by the Board, for each meeting of the Board he or she attends that is in excess of twelve meetings within a Plan Year (including telephonic meetings but excluding execution of unanimous written consents). Until changed by resolution of the Board of Directors, the Meeting Fee will be $1,500. Unless the Outside Director has made a Deferral Election with respect to them, Meeting Fees, if any, will be paid on the last business day of the month in which the meeting was attended (at the same time as the Installment Payment for the next month). No Meeting Fees shall be paid with respect to meetings of any standing committee of the Board (*e.g.*, Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee) attended by an Outside Director. Committee Meeting Fees for meetings of any special committee of the Board will be established at the time the Board establishes such committee.

5.2 Stock Grant. Each Outside Director will be entitled to receive an unrestricted grant of Shares, which grant will be made under the 2009 Lear Corporation Long-Term Stock

Incentive Plan, or a successor plan, as of the date of any annual meeting of the stockholders of the Company at which such Outside Director is elected or re-elected to serve in such position. The amount of the unrestricted stock grant will be determined from time to time by the Board. Until changed by resolution of the Board of Directors, the number of Shares subject to each unrestricted stock grant for each Outside Director will be equal to $140,000 divided by the Common Stock Fair Market Value on the date of the grant, provided that the grant date value of the unrestricted grant of Shares for the Non-Executive Chairman shall be increased by $100,000. The unrestricted grant of Shares shall be deemed earned upon the date of grant and shall not be subject to forfeiture, in whole or in part, in the event an Outside Director ceases to be an Outside Director for any reason, including resignation or removal (with or without cause).

5.3 Restricted Grant. Each Outside Director who was an Outside Director on January 29, 2010, shall be treated as receiving a Restricted Grant in the amount of $72,000 on that date. This amount shall be paid according to Article 7, in lieu of a portion equal to $24,000 of the Annual Retainer such Outside Director would otherwise receive for services in each of the Plan Years 2010, 2011, and 2012. No Restricted Grants shall be made after January 29, 2010.

Article 6. Deferral

6.1 Deferral Election. Any Outside Director may elect to defer all or a portion of the compensation payable to him or her under Section 5.1 for the Plan Year by filing with the Secretary of the Company a written notice to that effect (a "Deferral Election"), on a form provided by the Company. A Deferral Election must be filed before the first day of the Plan Year to which it relates. Notwithstanding the foregoing, an election may be filed within 30 days after a Director first becomes an Outside Director; provided, however, the amount of compensation deferred pursuant to such election will not exceed the portion of the Outside Director's compensation earned after the date the election is made. A Deferral Election may not be revoked or modified with respect to compensation payable for any Plan Year for which it is effective. Unless either the Deferral Election is terminated or modified as described below or the Director Separates from Service, the Deferral Election will apply to compensation payable under Section 5.1 with respect to each subsequent Plan Year. An Outside Director may terminate or modify his or her current Deferral Election by filing a new Deferral Election before the first day of the Plan Year to which such termination or modification applies.

6.2 Interest. All amounts deferred pursuant to Section 6.1 will be credited to the Outside Director's applicable Plan Year Account as of the date the compensation would otherwise have been payable, notwithstanding the Deferral Election. The amounts credited to the Plan Year Account will be credited with interest, compounded monthly, from the date the compensation would otherwise have been payable under Section 5.1 until the amount credited to the Account is paid to the Outside Director. The rate of interest credited under the previous sentence will 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.

6.3 Distributions. The value of an Outside Director's Plan Year Accounts will be distributed, or will begin to be distributed, to him or her or, in the event of his or her death, to his or her Beneficiary, within 10 days following the earliest of:

(a) the date specified by the Outside Director in his or her Deferral Election for each such Plan Year Account;

(b) the Outside Director's Termination Date; and

(c) the date on which a Change in Control occurs.

Each Plan Year Account will be paid to the Outside Director in a lump sum or in installments in accordance with his or her Deferral Election for such Plan Year Account. If an Outside Director fails to elect a payout form (and has not elected a payout form for any prior Plan Year that, in accordance with Section 6.1, would be deemed to remain in effect until changed), his or her Plan Year Accounts will be paid in a single lump sum.

If an Outside Director elects to receive payment of a Plan Year Account in installments, the payment period for the installments will not exceed ten years. The amount of each installment payment will equal the product of (a) the balance in the Outside Director's Plan Year Account on the date the payment is made multiplied by (b) a fraction, the numerator of which is one and the denominator of which is the number of unpaid remaining installments. The balance of the Plan Year Account will be appropriately reduced to reflect any Installment Payments already made hereunder. Notwithstanding the foregoing, in the event of a Change in Control, the balance remaining in an Outside Director's Account will be paid in a single lump sum payment within 10 days following the Change in Control.

If an Outside Director dies before he or she has received payment of all amounts due hereunder, the balances remaining in the Outside Director's Account will be distributed to his or her Beneficiary in a single lump sum payment within 90 days following the Outside Director's death.

Notwithstanding anything to the contrary in this Section 6.3, if the Compensation Committee determines that the Outside Director is a "specified employee" (within the meaning of Code Section 409A(a)(2)(B)), then notwithstanding any provision in the Plan to the contrary, payments triggered by the Outside Director's Termination Date will not be paid until six months after the Outside Director's Termination Date or until the Outside Director's earlier death. The foregoing six-month delay provision will not affect the timing of payments that would otherwise be paid more than six months after the Outside Director's Termination Date.

6.4 Stock Grant Deferral. The Board may establish rules and procedures to permit Outside Directors to defer unrestricted stock grants made pursuant to Section 5.2, as it deems appropriate and in compliance with Code Section 409A.

6.5 Beneficiary. An Outside Director may designate any person to whom payments are to be made if the Outside Director dies before receiving payment of all amounts due hereunder. A Beneficiary Designation form becomes effective only after the signed form is filed with the Secretary of the Company while the Outside Director is alive, and will cancel any prior Beneficiary Designation form. If the Outside Director fails to designate a Beneficiary or if all designated Beneficiaries predecease the Outside Director, the Outside Director's Beneficiary will be his or her estate.

Article 7. Restricted Grants

7.1 Award Agreement. Each Outside Director who was a participant in the Plan as of January 29, 2010, will be deemed to have received a Restricted Grant with a total value equal to $72,000 on that date. The Restricted Grant will be evidenced by an award agreement approved by the Board of Directors that specifies the vesting period and such other provisions as the Board determines. No Restricted Grants will be made after January 29, 2010.

7.2 Payment of Awards. The cash value of the Restricted Grant will be paid to the Outside Director according to the schedule set forth in the award agreement; provided, however, that an Outside Director may defer the receipt of such cash payment via a Deferral Election, pursuant to such procedures as may be set forth in an award agreement or as otherwise set forth by the Board of Directors in compliance with the requirements of Code Section 409A.

Article 8. Effective Date; Grandfathered Accounts.

8.1 Effective Date. This amended and restated Plan is effective as of January 1, 2014 (the "Effective Date") with respect to Nongrandfathered Accounts and will remain in effect as provided in Section 1.3 hereof.

8.2 Grandfathered Accounts. An Outside Director's Grandfathered Accounts will remain subject to the terms and conditions of the Plan as in effect on December 31, 2004.

Article 9. Miscellaneous

9.1 Modification and Termination. The Board may at any time and from time to time, alter, amend, modify or terminate the Plan in whole or in part.

9.2 Indemnification. Each person who is or has been a member of the Board will be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by that person in connection with or resulting from any claim, action, suit, or proceeding to which that person may be a party or in which that person may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by that person in a settlement approved by the Company, or paid by that person in satisfaction of any judgment in any such action, suit, or proceeding against that person, provided he or she gives the Company an opportunity, at its own expense, to handle and defend the action, suit or proceeding before that person undertakes to handle and defend it. The foregoing right of indemnification will not be exclusive of any other rights of indemnification to which an individual may be entitled under the Company's Certificate of Incorporation or By-Laws, as a matter of law, or otherwise, or any power that the Company may have to indemnify him or her or hold him or her harmless.

9.3 Successors. All obligations of the Company under the Plan with respect to a given Plan Year will be binding on any successor to the Company, whether the existence of the successor is the result of a direct or indirect purchase of all or substantially all of the business and/or assets of the Company, or a merger, consolidation, or otherwise.

9.4 Reservation of Rights. Nothing in this Plan or in any award agreement granted hereunder will be construed to limit in any way the Board's right to remove an Outside Director from the Board of Directors.

Article 10. Legal Construction

10.1 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein will also include the feminine; the plural will include the singular and the singular will include the plural.

10.2 Severability. If any provision of the Plan is held illegal or invalid for any reason, the illegality or invalidity will not affect the remaining parts of the Plan, and the Plan will be construed and enforced as if the illegal or invalid provision had not been included.

10.3 Requirements of Law. The issuance of payments under the Plan will be subject to all applicable laws, rules, and regulations, and to any approvals required by any governmental agencies or national securities exchanges.

10.4 Securities Law and Tax Law Compliance.

(a) **Insider Trading.** To the extent any provision of the Plan or action by the Board would subject any Outside Director to liability under Section 16(b) of the Exchange Act, it will be deemed null and void, to the extent permitted by law and deemed advisable by the Board.

(b) **Section 409A.** This Plan is intended to comply with Code Section 409A and the regulations thereunder, and will be administered and interpreted in accordance with such intent. If the Company determines that any provision of the Plan is or might be inconsistent with the requirements of Code Section 409A, it will attempt in good faith to make such changes to the Plan as may be necessary or appropriate to avoiding an Outside Director's becoming subject to adverse tax consequences under Code Section 409A. No provision of the Plan will be interpreted to transfer any liability for a failure to comply with Code Section 409A from an Outside Director or any other individual to the Company.

10.5 Unfunded Status of the Plan. The Plan is intended to constitute an "unfunded" plan. With respect to any payments not yet made to an Outside Director by the Company, nothing contained herein will give any rights to an Outside Director that are greater than those of a general creditor of the Company.

10.6 Governing Law. The Plan will be construed in accordance with and governed by the laws of the State of Michigan, determined without regard to its conflict of law rules.

10.7 Nontransferability. An Outside Director's Account and any Restricted Units granted hereunder may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution, or pursuant to a domestic relations order (as defined in Code section 414(p)). All rights with respect to Accounts and Restricted Units will be available during the Outside Director's lifetime only to the Outside Director or the Outside Director's guardian or legal representative. The Board of Directors may, in its discretion, require an Outside Director's guardian or legal representative to supply it with evidence the Board of Directors deems necessary to establish the authority of the guardian or legal representative to act on behalf of the Outside Director.

* * * * *

Exhibit 12.1

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES

(In millions, except ratio of earnings to fixed charges)

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010	Two Month Period Ended December 31, 2009	Ten Month Period Ended November 7, 2009
Consolidated income (loss) before provision (benefit) for income taxes and equity in net (income) loss of affiliates	$ 610.1	$ 648.9	$ 615.7	$ 448.8	$ (33.8)	$ (276.5)
Fixed charges	107.5	86.2	72.8	82.1	15.3	177.5
Distributed income of affiliates	17.6	14.0	43.6	7.4	0.6	4.7
Earnings	$ 735.2	$ 749.1	$ 732.1	$ 538.3	$ (17.9)	$ (94.3)
Interest expense	$ 68.4	$ 49.9	$ 39.7	$ 55.4	$ 11.1	$ 151.4
Portion of lease expense representative of interest	39.1	36.3	33.1	26.7	4.2	26.1
Fixed charges	$ 107.5	$ 86.2	$ 72.8	$ 82.1	$ 15.3	$ 177.5
Ratio of Earnings to Fixed Charges (1)	6.8	8.7	10.1	6.6	—	—
Fixed Charges in Excess of Earnings	$ —	$ —	$ —	$ —	$ 33.2	$ 271.8

(1) Earnings in the two month period ended December 31, 2009, and in the ten month period ended November 7, 2009, were insufficient to cover fixed charges by $33.2 million and $271.8 million, respectively. Accordingly, such ratios are not presented.

List of Subsidiaries of the Company (1)

Advanced Assembly, LLC (Michigan) (99.7%)
Alfombras San Luis S.A. (Argentina) (94.77%)
Anhui Guilford Automotive Interiors Co., Ltd. (China) (29.2%)
Autoparts Networks Alliances Sdn. Bhd. (Malaysia) (19.26%)
Beijing BAI Lear Automotive Systems Co., Ltd. (China) (50%)
Beijing Lear Automotive Electronics and Electrical Products Co., Ltd. (China) (50%)
Beijing Lear Dymos Automotive Systems Co., Ltd. (China) (40%)
Changchun Lear FAWSN Automotive Electrical and Electronics Co., Ltd. (China) (49%)
Changchun Lear FAWSN Automotive Seat Systems Co., Ltd. (China) (49%)
Chihuahua Electrical Wiring Systems S. de R.L. de C.V. (Mexico) (49%)
Consorcio Industrial Mexicano de Autopartes S. de R.L. de C.V. (Mexico)
Dong Kwang Lear Yuhan Hoesa (Korea) (50%)
Durango Automotive Wiring Systems, S. de R.L. de C.V. (Mexico) (49%)
Dymos Lear Automotive India Private Limited (India) (35%)
eLumigen, LLC (Delaware) (15%)
Foshan Lear FAW Sihuan Automotive Systems Co., Ltd. (China) (49%)
Greenfield Holdings, LLC (Michigan) (99.7%)
Guilford Czech Republic s.r.o. (Czech Republic)
Guilford Europe Limited (United Kingdom)
Guilford Europe Pension Trustees Limited (United Kingdom)
Guilford France SAS (France)
Guilford Holding Hong Kong Limited (Hong Kong)
Guilford Mills Automotive (Czech Republic) Limited (United Kingdom)
Guilford Mills Automotive (France) Limited (United Kingdom)
Guilford Mills Automotive (Portugal) Limited (United Kingdom)
Guilford Mills Europe Limited (United Kingdom)
Guilford Mills Limited (United Kingdom)
Guilford Mills, Inc. (Delaware)
Guilford Shanghai Trading Co., Ltd. (China)
HB Polymer Company, LLC (Texas) (10%)
Honduras Electrical Distribution Systems S. de R.L. de C.V. (Honduras) (49%)
Industrias Cousin Freres S.L. (Spain) (49.99%)
Industrias Globales de Mexico, S.A. de C.V. (Mexico)
Industrias Lear de Argentina SrL (Argentina)
Insys – Interior Systems SA (Argentina) (5%)
Integrated Manufacturing and Assembly, LLC (Michigan) (49%)
Jiangxi Jiangling Lear Interior Systems Co. Ltd. (China) (50%)
Kyungshin-Lear Sales and Engineering LLC (Delaware) (49%)
Lear (Luxembourg) S.a.r.l. (Luxembourg)
Lear (Shanghai) Management Consultancy Limited (China)
Lear Automotive (EEDS) Almussafes Services S.L. (Spain)
Lear Automotive (EEDS) Tunisia SarL (Tunisia)
Lear Automotive (Thailand) Co., Ltd. (Thailand)
Lear Automotive Corporation Singapore Pte. Ltd. (Singapore)
Lear Automotive EEDS Honduras, S.A. (Honduras)
Lear Automotive Electronics and Electrical Products (Shanghai) Co., Ltd. (China)
Lear Automotive Fabrics (Rui'An) Co., Ltd. (China) (95%)
Lear Automotive France SAS (France)
Lear Automotive India Private Limited (India)
Lear Automotive Manufacturing, L.L.C. (Delaware)
Lear Automotive Metals (Wuhan) Co., Ltd. (China)
Lear Automotive Morocco SAS (Morocco)
Lear Automotive Operations Netherlands B.V. (Netherlands)
Lear Automotive Services (Netherlands) B.V. (Netherlands)
Lear Automotive Systems (Chongqing) Co., Ltd. (China)
Lear Automotive Systems (Shenyang) Co., Ltd. (China)
Lear Automotive Systems (Yangzhou) Co., Ltd (China)
Lear Canada (Canada)
Lear Canada Investments Ltd. (Canada)
Lear Chang'an (Hangzhou) Automotive Seating Co., Ltd (China) (55%)
Lear Chang'an (Chongqing) Automotive System Co., Ltd. (China) (55%)

Lear Corporation Czech Republic s.r.o. (Czech Republic)
Lear Corporation EEDS and Interiors (Delaware)
Lear Corporation France SAS (France)
Lear Corporation GmbH (Germany)
Lear Corporation Holdings Spain S.L. (Spain)
Lear Corporation Hungary Automotive Manufacturing Kft. (Hungary)
Lear Corporation Italia S.r.l. (Italy)
Lear Corporation Japan K.K. (Japan)
Lear Corporation Mexico S. de R.L. de C.V. (Mexico)
Lear Corporation Pension Scheme Trustees Limited (United Kingdom)
Lear Corporation Poland II Sp. z.o.o. (Poland)
Lear Corporation Portugal – Componentes para Automoveis, Unipessoal, Lda. (Portugal)
Lear Corporation Romania S.r.L. (Romania)
Lear Corporation S.r.L. (Moldova)
Lear Corporation Seating France Feignies SAS (France)
Lear Corporation Seating France Guipry SAS (France)
Lear Corporation Seating France SAS (France)
Lear Corporation Seating Slovakia s.r.o. (Slovak Republic)
Lear Corporation South East Asia Co., Ltd. (Thailand) (99.99%)
Lear Corporation Sweden AB (Sweden)
Lear Corporation UK Holdings Limited (United Kingdom)
Lear DFM Tachi-S Automotive Seating (Dalian) Co., Ltd. (China) (25.5%)
Lear do Brasil Industria e Comercio de Interiores Automotivos Ltda. (Brazil)
Lear Dongfeng Automotive Seating Co., Ltd. (China) (50%)
Lear East European Operations S.a.r.l. (Luxembourg)
Lear EEDS Joint Venture Holdings Ltd. (Cayman Islands)
Lear Electrical Systems de Mexico S. de R.L. de C.V. (Mexico)
Lear European Holding S.L. (Spain)
Lear European Operations Corporation (Delaware)
Lear Financial Services (Netherlands) B.V. (Netherlands)
Lear Global Development, LLC (Delaware)
Lear Holdings, S. de R.L. de C.V. (Mexico)
Lear International Operations S.a.r.l. (Luxembourg)
Lear Korea Yuhan Hoesa (Korea)
Lear Luxembourg Holdings S.a.r.l. (Luxembourg)
Lear Mexican Holdings, L.L.C. (Delaware)
Lear Mexican Seating Corporation (Delaware)
Lear Mexican Trim Operations, S. de R.L. de C.V. (Mexico)
Lear North European Operations S.a.r.l. (Luxembourg)
Lear Operations Corporation (Delaware)
Lear Otomotiv Sanayi ve Ticaret Limited Sirketi (Turkey)
Lear Seating (Thailand) Corp. Ltd. (Thailand) (99.99%)
Lear Sewing (Pty.) Ltd. (South Africa)
Lear Shanghai Automotive Metals Co., Ltd. (China)
Lear Shurlok Electronics (Proprietary) Limited (South Africa) (51%)
Lear South Africa Limited (Cayman Islands)
Lear South European Operations S.a.r.l. (Luxembourg)
Lear Trim Oto Yan Sanayi Limited Sirketi (Turkey)
Lear UK Acquisition Limited (United Kingdom)
Lear West European Operations S.a.r.l. (Luxembourg)
Liuzhou Lear DFM Fangsheng Automotive Seating Co., Ltd. (China) (25.5%)
Markol Otomotiv Yan Sanayi ve Ticaret A.S. (Turkey) (35%)
Martur Sunger ve Koltuk Tesisleri Ticaret A.S. (Turkey) (.7%)
OOO Lear (Russia)
Proma, Sp.A. (Italy) (5%) (2)
PT Lear Automotive Indonesia (Indonesia)
PT Lear Corporation Indonesia (Indonesia) (51%)
RevoLaze, LLC (Delaware) (20%)
Rouquinet Deroy Limited (United Kingdom)
Shanghai Lear Automotive Systems Co., Ltd. (China)

Lear Corporation (Mauritius) Limited (Mauritius)
Lear Corporation (Nottingham) Limited (United Kingdom)
Lear Corporation (Shanghai) Limited (China)
Lear Corporation (UK) Limited (United Kingdom)
Lear Corporation (Vietnam) Limited (Vietnam)
Lear Corporation Asientos S.L. (Spain)
Lear Corporation Austria GmbH in Liquidation (Austria)
Lear Corporation Automotive Electronics Morocco SAS (Morocco)
Lear Corporation Belgium CVA (Belgium)
Lear Corporation Beteiligungs GmbH (Germany)
Lear Corporation Canada, Ltd. (Canada)
Lear Corporation Changchun Automotive Interior Systems Co., Ltd. (China)
Lear Corporation China Ltd. (Mauritius)

Shanghai Lear STEC Automotive Parts Co., Ltd. (China) (55%)
Shenyang Lear Automotive Seating and Interior Systems Co., Ltd. (China) (60%)
Tachi-S Lear DFM Automotive Seating (Xiangyang) Co., Ltd. (China) (24.5%)
Tacle Automotive India Private Limited (India) (51%)
Tacle Guangzhou Automotive Seat Co., Ltd. (China) (20%)
Tacle Seating (Thailand) Co., Ltd. (Thailand) (51%)
Tacle Seating UK Limited (United Kingdom) (51%)
TACLE Seating USA, LLC (Michigan) (49%)
TS-Lear Automotive (Malaysia) Sdn. Bhd. (Malaysia) (90%)
Wuhan Lear DFM Yunhe Automotive Seating Co., Ltd. (China) (40%)
Wuhan Lear-DFM Auto Electric Company, Limited (China) (75%)
Wuhan Lear-Yunhe Automotive Interior System Co., Ltd. (China) (50%)
Zhengzhou Lear DFM Taixin Automotive Seating Co., Ltd. (China) (25.5%)

(1) All subsidiaries are wholly owned unless otherwise indicated.
(2) Includes 24 subsidiaries owned by Proma, Sp.A., all of which operate in foreign countries.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8 File No. 333-163009) of Lear Corporation of our reports dated February 10, 2014, with respect to the consolidated financial statements and schedule of Lear Corporation 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, 2013.

/s/ Ernst & Young LLP

Detroit, Michigan
February 10, 2014

Exhibit 31.1

CERTIFICATION

I, Matthew J. Simoncini, 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of 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: February 10, 2014

By: /s/ Matthew J. Simoncini
Matthew J. Simoncini
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Jeffrey H. Vanneste, 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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: February 10, 2014

By: /s/ Jeffrey H. Vanneste
Jeffrey H. Vanneste
Senior 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 annual period ended December 31, 2013, 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: February 10, 2014	Signed:	/s/ Matthew J. Simoncini
		Matthew J. Simoncini
		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 annual period ended December 31, 2013, as filed with the Securities and Exchange Commission (the “Report”), the undersigned, as the Chief Financial 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: February 10, 2014

Signed: /s/ Jeffrey H. Vanneste
Jeffrey H. Vanneste
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.