LEAR CORP /DE/
Form 10-Q/A
October 09, 2001
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A

(Mark One)

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

For the quarterly period ended **March 31, 2001**

OR

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

For the transition period from to .

Commission file number: 1-11311

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

Delaware	**13-3386776**
(State or other jurisdiction of incorporation or organization)	
(I.R.S. Employer Identification No.)	
21557 Telegraph Road, Southfield, MI	
48086-5008	
(Address of principal executive offices)	
(zip code)	

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for the past 90 days. Yes No

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Number of shares of Common Stock, $0.01 par value per share, outstanding as of May 1, 2001: 63,876,758

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FORM 10-Q

FOR THE QUARTER ENDED March 31, 2001

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EXPLANATORY NOTE

This amendment to the Form 10-Q of Lear Corporation (the "Company") for the period ended March 31, 2001 is being filed to disclose separate financial information regarding Lear's three reportable operating segments. The consolidated financial information included in this amendment does not differ from the financial information included in the original Form 10-Q but, in some cases, is presented on a disaggregated basis in a manner consistent with the Company's organizational structure as of March 31, 2001. The sections in this amendment that have been revised from the original filing are the Notes to the Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations Overview and Results of Operations." Certain other sections from the original Form 10-Q have been included in this amendment for the convenience of the reader but have not been revised or updated. Part II of the original Form 10-Q is not included herein and has not been amended.

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LEAR CORPORATION

PART I FINANCIAL INFORMATION

ITEM 1 CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION TO THE CONSOLIDATED FINANCIAL STATEMENTS

We have prepared the condensed consolidated financial statements of Lear Corporation and subsidiaries, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. We believe that the disclosures are adequate to make the information presented not misleading when read in conjunction with the financial statements and the notes thereto included in our Annual Report on Form 10-K, as filed with the Securities and Exchange Commission for the period ended December 31, 2000.

The financial information presented reflects all adjustments (consisting only of normal recurring adjustments) which are, in our opinion, necessary for a fair presentation of the results of operations and statements of financial position for the interim periods presented. These results are not necessarily indicative of a full year s results of operations.

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

	March 31, 2001	December 31, 2000
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents		
$155.8$98.8		
Accounts receivable, net		
1,601.11,639.0		
Inventories		
450.6538.8		
Recoverable customer engineering and tooling		
291.8273.2		
Other		
279.5278.2		
Total current assets		
2,778.82,828.0		

LONG-TERM ASSETS:	
Property, plant and equipment, net	1,822.41,891.3
Goodwill, net	3,213.73,266.6
Other	371.7389.6
Total long-term assets	5,407.85,547.5
$8,186.6$8,375.5	
LIABILITIES AND STOCKHOLDERS EQUITY	
CURRENT LIABILITIES:	
Short-term borrowings	
$3.6$72.4	
Accounts payable and drafts	2,264.82,174.0
Accrued liabilities	982.4969.6
Current portion of long-term debt	291.6155.6
Total current liabilities	3,542.43,371.6
LONG-TERM LIABILITIES:	
Long-term debt	2,444.22,852.1
Other	637.6551.0
Total long-term liabilities	3,081.83,403.1
STOCKHOLDERS EQUITY:	
Common stock, $.01 par value, 150,000,000 authorized; 68,223,609 issued at March 31, 2001 and 67,916,682 issued at December 31, 2000	.7.7
Additional paid-in capital	874.1874.1
Note receivable from sale of common stock	(.1)(.1)
Common stock held in treasury, 4,362,330 shares at March 31, 2001 and December 31, 2000, at cost	(111.4)(111.4)

Retained earnings	1,051.01,036.5
Accumulated other comprehensive income	(251.9)(199.0)
Total stockholders equity	1,562.41,600.8
$8,186.6$8,375.5	

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

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

	Three Months Ended	
	March 31, 2001	**April 1, 2000**
Net sales	$ 3,503.6	$ 3,805.1
Cost of sales 3,238.63,448.1		
Selling, general and administrative expenses 130.4141.1		
Amortization of goodwill 22.422.2		
Interest expense 70.178.8		
Other expense, net 12.19.8		
Income before provision for income taxes and extraordinary item 30.0105.1		
Provision for income taxes 14.943.1		

Income before extraordinary item	15.162.0
Extraordinary loss on early extinguishment of debt, net of tax	.6
Net income	$14.5$62.0
Basic net income per share:	
Income before extraordinary item	$.24$.94
Extraordinary loss	(.01)
Basic net income per share	$.23$.94
Diluted net income per share:	
Income before extraordinary item	$.23$.93
Extraordinary loss	(.01)
Diluted net income per share	$.22$.93

The accompanying notes are an integral part of these statements.

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LEAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in millions)

	Three Months Ended	
	March 31, 2001	**April 1, 2000**
Cash Flows from Operating Activities:		
Net income	$14.5	$62.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	103.6	100.8
Net gain on disposition of businesses	(12.4)	
Loss on write-down of other assets to net realizable value	3.1	
Extraordinary loss, net of tax	.6	
Net change in recoverable customer engineering and tooling	(19.0)	(26.2)
Net change in working capital items	(83.8)	(60.2)
Other, net	(.1)	(.5)
Net cash provided by operating activities before proceeds from sales of receivables	6.5	75.9
Proceeds from sales of receivables	300.0	
Net cash provided by operating activities	306.5	75.9
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(50.8)	(85.4)

Net proceeds from disposition of businesses and other assets	36.314.6
Other, net	(8.8)
Net cash used in investing activities	(14.5)(79.6)
Cash Flows from Financing Activities:	
Senior notes	223.4
Long-term borrowings, net	(487.9)82.1
Short-term borrowings, net	(68.4)(25.4)
Purchase of treasury stock	(14.7)
Increase (decrease) in drafts	59.5(33.4)
Net cash provided by (used in) financing activities	(273.4)8.6
Effect of foreign currency translation	38.4(8.7)
Net Change in Cash and Cash Equivalents	57.0(3.8)
Cash and Cash Equivalents at Beginning of Period	98.8106.9
Cash and Cash Equivalents at End of Period	$155.8$103.1

Changes in Working Capital Items:		
Accounts receivable, net	$(309.5)	$(390.9)
Inventories	75.4	18.6
Accounts payable	84.7	235.5
Accrued liabilities and other	65.6	76.6
	$(83.8)	$(60.2)
Supplementary Disclosure:		
Cash paid for interest	$65.8	$53.3
Cash paid for income taxes	$25.5	$22.4

The accompanying notes are an integral part of these statements.

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LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

The consolidated financial statements include the accounts of Lear Corporation (Lear or the Parent), a Delaware corporation, and the wholly-owned and majority-owned subsidiaries controlled by Lear (collectively, the Company). Investments in affiliates, other than wholly-owned and majority-owned subsidiaries controlled by Lear, in which Lear owns a 20% or greater interest are accounted for under the equity method.

The Company and its affiliates are involved in the design and manufacture of interior systems and components for automobiles and light trucks. The Company s main customers are automotive original equipment manufacturers. The Company operates facilities worldwide.

(2) 2001 Disposition

In March 2001, the Company completed the sale of its Spanish wire business for approximately $35.5 million. A gain on the sale of $12.4 million is included in other expense, net in the accompanying consolidated statement of income for the three months ended March 31, 2001. The pro forma effect of this transaction would not be materially different from reported results. In addition, the Company recorded a loss of $3.1 million related to the write-down of certain other assets to net realizable value, which is included in other expense, net in the consolidated statement of income for the three months ended March 31, 2001.

(3) 1998 Restructuring and Other Charges

In the fourth quarter of 1998, the Company began to implement a restructuring plan designed to reduce its cost structure and improve the long-term competitive position of the Company. As a result of this restructuring plan, the Company recorded pre-tax charges of $133.0 million, consisting of $110.5 million of restructuring charges and $22.5 million of other charges. As of December 31, 2000, this restructuring was complete. The remaining accrual of $11.5 million as of December 31, 2000 consists of long-term lease commitments related to closed European facilities, of which $3.1 million of payments were made during the first quarter of 2001.

(4) Restructuring Charges Related to UT Automotive

During the second quarter of 1999, the Company began to implement restructuring plans designed to integrate the operations of the recently acquired UT Automotive. These restructuring plans were finalized during the first and second quarters of 2000. As a result of these restructuring plans, the Company recorded an adjustment to the original purchase price allocation of $32.3 million. The plans call for the termination of 899 employees, of which 835 had been terminated as of March 31, 2001, and the closure of or exit from five facilities, of which two were closed or vacated as of March 31, 2001. During the second quarter of 2001, the closure of a European facility was cancelled due to a new program award in the region. The Company had previously completed all restructuring actions related to this facility with the exception of the disposition of the building which has been idle since July 2000. Production on the new program is scheduled to begin January 2002. As a result, the related restructuring accrual will be adjusted during the second quarter of 2001. The remaining employee terminations and facility closures are expected to be completed by the second quarter of 2001.

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LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes the restructuring activity related to this acquisition (in millions):

	Accrual at December 31, 2000	Utilized Cash	Utilized Noncash	Accrual at March 31, 2001
Severance	$ 8.5	$ (.8)	$	$ 7.7
Other closure costs	4.4	(1.4)		3.0

Total	$12.9	$(2.2)	$10.7

(5) 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. Inventories are comprised of the following (in millions):

	March 31, 2001	December 31, 2000
Raw materials	$ 284.8	$ 322.1
Work-in-process	59.4	68.9
Finished goods	106.4	147.8
Inventories	$450.6	$538.8

(6) Property, Plant and Equipment

Property, plant and equipment is stated at cost. Depreciable property is depreciated over the estimated useful lives of the assets, principally using the straight-line method. A summary of property, plant and equipment is shown below (in millions):

	March 31, 2001	December 31, 2000
Land	$ 105.1	$ 106.6
Buildings and improvements	600.0	592.7
Machinery and equipment	1,927.9	1,980.3
Total property, plant and equipment	2,633.0	2,679.6
Less accumulated depreciation	(810.6)	(788.3)

Net property, plant and equipment	$1,822.4	$1,891.3

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LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7) Long-Term Debt

Long-term debt is comprised of the following (in millions):

	March 31, 2001	December 31, 2000
Credit agreements	$ 664.5	$ 1,173.9
Other	111.9	97.8
	776.4	1,271.7
Less current portion	(291.6)	(155.6)
	484.8	1,116.1
8.125% Senior Notes, due 2008	223.4	
8.11% Senior Notes, due 2009	800.0	800.0
7.96% Senior Notes, due 2005	600.0	600.0
9.50% Subordinated Notes, due 2006	200.0	200.0
8.25% Subordinated Notes, due 2002	136.0	136.0
	1,959.4	1,736.0

Long-term debt	$2,444.2$2,852.1

On March 26, 2001, the Company replaced its $2.1 billion revolving credit facility in order to extend its maturity and reduce commitments. As a result, interest rates and fees thereunder were adjusted to current market rates. In addition, the Company amended its other primary credit facilities at the same time. The Company s primary credit facilities now consist of a $1.7 billion amended and restated credit facility, which matures on March 26, 2006, a $500 million revolving credit facility, which matures on May 4, 2004, and a $500 million term loan, having scheduled amortization which began on October 31, 2000 and a final maturity on May 4, 2004. The write-off of deferred financing fees related to the $2.1 billion revolving credit facility totaled approximately $1.0 million ($.6 million after tax), which is reflected as extraordinary loss on early extinguishment of debt, net of tax in the consolidated statement of income for the three months ended March 31, 2001.

In connection with the UT Automotive acquisition, the Company issued $1.4 billion aggregate principal amount of senior notes, $800 million of which mature in 2009 and $600 million of which mature in 2005. In addition, on March 20, 2001, the Company issued 8.125% senior notes due 2008 (the Eurobonds) in an aggregate principal amount of 250 million EUR (approximately $223.4 million based on the exchange rate in effect as of March 31, 2001). The offering of the Eurobonds was not registered under the Securities Act of 1933, as amended (the Securities Act). Under the terms of a registration rights agreement entered into in connection with the issuance of the Eurobonds, the Company is required to complete an exchange offer of the Eurobonds for substantially identical notes registered under the Securities Act. A registration statement relating to the exchange offer has been filed with the Securities and Exchange Commission but has not yet been declared effective.

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LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company s primary credit facilities contain operating and financial covenants that, among other things, could limit the Company s ability to obtain additional sources of capital. The primary credit facilities are guaranteed by certain of the Company s significant domestic subsidiaries and secured by the pledge of all or a portion of the capital stock of certain of the Company s significant subsidiaries. All of the Company s senior notes are guaranteed by the same subsidiaries that guarantee its primary credit facilities.

On May 1, 2001, the Company redeemed its 8.25% subordinated notes due 2002. The redemption was made at par and financed through borrowings under the Company's primary credit facilities.

(8) Net Income Per Share

Basic net income per share is computed using the weighted average common shares outstanding during the period. Diluted net income per share is computed using the average share price during the period when calculating the dilutive effect of common stock equivalents. Options to purchase 2,398,850 shares of common stock of the Company at exercise prices ranging from $33.00 to $54.22 were outstanding during the three months ended March 31, 2001 but were not included in the computation of diluted shares outstanding, as inclusion would have resulted in antidilution. Shares outstanding are as follows:

	Three Months Ended	
	March 31, 2001	April 1, 2000
Weighted average shares outstanding	63,692,490	66,250,350
Dilutive effect of common stock equivalents	1,005,088	712,964
Diluted shares outstanding	64,697,578	66,963,314

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LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) Comprehensive Income (Loss)

Comprehensive income (loss) is defined as all changes in a Company s net assets except changes resulting from transactions with shareholders. It differs from net income in that certain items currently recorded in equity would be a part of comprehensive income (loss). Comprehensive income (loss) is as follows (in millions):

	Three Months Ended	
	March 31, 2001	April 1, 2000
Net income	$ 14.5	$ 62.0
Other comprehensive income (loss):		
Derivative instruments and hedging activities	(14.0)	
Foreign currency translation adjustment	(38.9)	(30.7)
Other comprehensive income (loss)		

	(52.9)	(30.7)
Comprehensive income (loss)	$(38.4)	$31.3

(10) Pre-Production Costs Related to Long-Term Supply Agreements

The Company incurs pre-production engineering, research and development (ER&D) costs related to the products that it supplies to its customers under long-term supply agreements. The Company expenses all such costs for which reimbursement is not contractually guaranteed by the customer. During the first quarter of 2001, the Company capitalized $33.4 million of pre-production ER&D costs for products to be supplied under long-term supply agreements for which reimbursement is contractually guaranteed by the customer and is primarily in the form of lump sum recovery.

In addition, the Company incurs pre-production tooling costs related to the products that it supplies to its customers under long-term supply agreements. During the first quarter of 2001, the Company capitalized $103.4 million of pre-production tooling costs for products to be supplied under long-term supply agreements for which reimbursement is contractually guaranteed by the customer and is primarily in the form of lump sum recovery.

(11) Segment Reporting

In the first quarter of 2001, the Company modified its organizational structure, which is based on product operating segments. The Company s reportable operating segments are: seating, interior and electronic and electrical. The seating segment, formerly seat and seat covers, includes seat systems and components thereof. The interior segment, formerly interior and seat components, includes flooring and acoustic systems, door panels, instrument panels, headliners and other interior products. The electronic and electrical segment, formerly interior wiring, includes electronic and electrical distribution systems, primarily wire harnesses, interior control systems and wireless systems. These reportable operating segments are consistent with those as of December 31, 2000, except that seat frames and seat tracks, which were included in the interior and seat components segment as of December 31, 2000, are currently included in the seating segment. Each of the Company s operating segments consists of a separate management team and infrastructure dedicated to providing complete automotive interiors to its respective automotive OEM customers. 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 Other category includes the corporate office, geographic headquarters, the technology division and the elimination of intercompany activities, none of which meet the requirements of being classified as an operating segment.

The following table presents revenues from external customers and other financial information by reportable operating segment (in millions):

	Three Months Ended March 31, 2001				
	Seating	Interior	Electronic and Electrical	Other	Consolidated

Revenues from external customers	$ 2,383.0	$ 623.4	$ 495.8	$ 1.4	$ 3,503.6
EBITA	85.1	41.5	48.6	(40.6)	134.6
Depreciation	29.8	27.6	23.8		81.2
Capital expenditures	21.3	20.3	8.8	.4	50.8
Total assets	4,051.4	836.5	994.8	2,303.9	8,186.6

	Three Months Ended April 1, 2000				
	Seating	Interior	Electronic and Electrical	Other	Consolidated
Revenues from external customers	$ 2,411.6	$ 781.9	$ 609.5	$ 2.1	$ 3,805.1
EBITA	118.5	69.9	77.4	(49.9)	215.9
Depreciation	29.7	25.5	19.4	4.0	78.6
Capital expenditures	40.7	28.5	15.8	.4	85.4
Total assets	3,314.7	1,362.0	1,066.7	3,378.6	9,122.0

LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12) Financial Instruments

Asset-backed Securitization Agreement

In November 2000, the Company and several of its U.S. subsidiaries, through a special purpose corporation, entered into a receivables-backed receivables purchase facility (collectively, the ABS Transaction). The ABS Transaction is a 364-day committed facility and currently provides for maximum purchases of adjusted accounts receivable of $300 million. During the first quarter of 2001, the Company and its subsidiaries, through the special purpose corporation, sold adjusted accounts receivable totaling $1.4 billion under the ABS Transaction and recognized a discount of $6.4 million, which is reflected as other expense, net in the consolidated statement of income for the three months ended March 31, 2001.

The special purpose corporation purchases the receivables from the Company and several of its U.S. subsidiaries and then simultaneously transfers undivided interests in the receivables to certain bank conduits which fund their purchases through the issuance of commercial paper. The Company continues to service the transferred receivables and receives an annual servicing fee of 1.0% of the sold receivables. The conduit investors and the special purpose corporation have no recourse to the Company s or its subsidiaries other assets for the failure of the accounts receivable obligors to timely pay on the accounts receivable. With respect to the sold receivables, the Company s retained interest is subordinated to the bank conduits undivided purchased interests. The sold receivables servicing portfolio amounted to $517.2 million as of March 31, 2001.

The following table summarizes certain cash flows received from and paid to the special purpose subsidiary for the three months ended March 31, 2001 (in millions):

Proceeds from new securitizations	$ 300.0
Proceeds from collections reinvested in securitizations	800.5
Servicing fees received	1.1

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LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Derivative Instruments and Hedging Activities

On January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS No. 137 and SFAS No. 138 (SFAS No. 133). In accordance with the provisions of SFAS No. 133, the Company recorded a transition adjustment upon adoption (1) to recognize its derivative instruments at fair value, resulting in a net decrease in net assets of approximately $9.0 million, (2) to recognize previously deferred net losses on derivatives designated as cash flow hedges, resulting in a net decrease in accumulated other comprehensive income of approximately $9.2 million, and (3) to recognize the ineffective portion of cash flow hedges, the effect of which on net income was not material and is included in other expense, net in the consolidated statement of income for the three months ended March 31, 2001.

The Company uses derivative financial instruments, including forward foreign exchange, futures, option and swap contracts, to manage its exposures to fluctuations in foreign exchange rates and interest rates. The use of these financial instruments mitigates the Company s exposure to these risks with the intent of reducing the risks and the variability of the Company s operating results. The Company is not a party to leveraged derivatives. Initially, upon adoption of SFAS No. 133, and prospectively, on the date a derivative contract is entered into, the Company designates the derivative as either (1) a hedge of a recognized asset or liability or of an unrecognized firm commitment (a fair value hedge), (2) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (a cash flow hedge) or (3) a hedge of a net investment in a foreign operation (a net investment hedge).

For a fair value hedge, both the effective and ineffective portions of the change in the fair value of the derivative are recorded in earnings and reflected in the consolidated statement of income on the same line as the gain or loss on the hedged item that is attributable to the hedged risk. For a cash flow hedge, the effective portion of the change in the fair value of the derivative is recorded in accumulated other comprehensive income in the consolidated balance sheet. When the underlying hedged transaction is realized, the gain or loss included in accumulated other comprehensive income is recorded in earnings and reflected in the consolidated statements of income on the same line as the hedged item. In addition, both changes in the fair value excluded from the Company s effectiveness assessments and the ineffective portion of changes in the fair value are recorded in earnings and reflected in the consolidated statement of income as other expense, net. For a net investment hedge of a foreign operation, the effective portion of the change in the fair value of the derivative is recorded in cumulative translation adjustment, which is a component of accumulated other comprehensive income in the consolidated balance sheet. The ineffective portion of the change in the fair value of a derivative or non-derivative instrument is 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 hedged items, as well as its risk management objectives and strategies for undertaking the hedge transaction. Derivatives are recorded at fair value in other

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LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Forward foreign exchange, futures and option contracts   The Company uses foreign forward exchange and option contracts to reduce the effect of fluctuations in foreign exchange rates on short-term, foreign-currency-denominated intercompany transactions and other known foreign currency exposures. Gains and losses on the derivative instruments are intended to offset gains and losses on the hedged transaction in an effort to reduce the earnings volatility resulting from fluctuations in foreign exchange rates. The principal currencies hedged by the Company include the Canadian Dollar, the European Euro and the Mexican Peso. Forward foreign exchange and futures contracts are accounted for as fair value hedges when the hedged item is a recognized asset or liability or an unrecognized firm commitment. Forward foreign exchange, futures and option contracts are accounted for as cash flow hedges when the hedged item is a forecasted transaction or the variability of cash flows to be paid or received related to a recognized asset or liability.

Interest rate swap contracts   The Company uses interest rate swap contracts to manage its exposure to fluctuations in interest rates. Interest rate swap contracts effectively fix the interest payments of certain floating rate debt instruments and are accounted for as cash flow hedges.

As of March 31, 2001 and January 1, 2001, the net loss related to derivative instruments and hedging activities recorded in accumulated other comprehensive income was $14.0 million and $9.2 million, respectively. As of March 31, 2001, all cash flow hedges mature within nine months, with the exception of swap contracts related to the payment of variable interest on existing financial instruments. During the twelve month period ended March 30, 2002, the Company expects to reclassify into earnings net losses of approximately $3.9 million recorded in accumulated other comprehensive income. Such losses will be reclassified at the time the underlying hedged transactions are realized. During the quarter ended March 31, 2001, amounts recognized in the consolidated statement of income related to changes in the fair value excluded from the effectiveness assessments and the ineffective portion of changes in the fair value of fair value and cash flow hedges were not material.

Non-U.S. dollar financing transactions The Company has designated its Euro-denominated senior notes (Note 7) as a net investment hedge of long-term investments in its Euro-functional subsidiaries. As of March 31, 2001, the amount recorded in cumulative translation adjustment related to the effective portion of a net investment hedge of a foreign operation was not material.

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LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(13) Supplemental Guarantor Condensed Consolidating Financial Statements

	March 31, 2001				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
	(Unaudited, in millions)				

ASSETS
CURRENT ASSETS:
Cash and cash equivalents
$24.6$7.3$123.9$ $155.8
Accounts receivable, net
35.1200.21,365.8 1,601.1
Inventories
10.289.3351.1 450.6
Recoverable customer engineering and tooling
77.216.8197.8 291.8
Other
94.367.3117.9 279.5

Total current assets
241.4380.92,156.5 2,778.8

LONG-TERM ASSETS:
Property, plant and equipment, net
106.3493.91,222.2 1,822.4
Goodwill, net
116.91,126.11,970.7 3,213.7
Investment in subsidiaries
2,610.82,389.8 (5,000.6)
Other
196.656.9118.2 371.7

Total long-term assets
3,030.64,066.73,311.1(5,000.6)5,407.8

$3,272.0$4,447.6$5,467.6$(5,000.6)$8,186.6

LIABILITIES AND STOCKHOLDERS EQUITY
CURRENT LIABILITIES:
Short-term borrowings
$ $ 3.6 $3.6
Accounts payable and drafts
215.0447.81,602.0 2,264.8
Accrued liabilities
140.9235.6605.9 982.4
Current portion of long-term debt
286.0.74.9 291.6

Total current liabilities
641.9684.12,216.4 3,542.4

LONG-TERM LIABILITIES:
Long-term debt
2,407.09.527.7 2,444.2
Intercompany accounts, net
(1,580.4)2,042.7(462.3)
Other
241.0161.2235.4 637.6

Total long-term liabilities
1,067.62,213.4(199.2) 3,081.8

STOCKHOLDERS EQUITY
1,562.51,550.13,450.4(5,000.6)1,562.4

$3,272.0$4,447.6$5,467.6$(5,000.6)$8,186.6

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LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(13) Supplemental Guarantor Condensed Consolidating Financial Statements (continued)

	December 31, 2000				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
	(Audited, in millions)				

ASSETS
CURRENT ASSETS:
Cash and cash equivalents
$7.1$8.2$83.5$ $98.8
Accounts receivable, net
92.2446.71,100.1 1,639.0
Inventories
11.5209.3318.0 538.8
Recoverable customer engineering and tooling
48.133.7191.4 273.2
Other
109.176.492.7 278.2

Total current assets	268.0774.31,785.7 2,828.0
LONG-TERM ASSETS:	
Property, plant and equipment, net	122.2633.81,135.3 1,891.3
Goodwill, net	117.91,228.41,920.3 3,266.6
Investment in subsidiaries	2,395.31,670.5 (4,065.8)
Other	240.250.698.8 389.6
Total long-term assets	2,875.63,583.33,154.4(4,065.8)5,547.5
$3,143.6$4,357.6$4,940.1$(4,065.8)$8,375.5	
LIABILITIES AND STOCKHOLDERS EQUITY	
CURRENT LIABILITIES:	
Short-term borrowings	56.5 15.9 $72.4
Accounts payable and drafts	195.8630.61,347.6 2,174.0
Accrued liabilities	179.0365.0425.6 969.6
Current portion of long-term debt	150.0.74.9 155.6
Total current liabilities	581.3996.31,794.0 3,371.6

LONG-TERM LIABILITIES:	
Long-term debt	2,762.09.580.6 2,852.1
Intercompany accounts, net	(2,029.8)2,277.7(247.9)
Other	229.2171.6150.2 551.0
Total long-term liabilities	961.42,458.8(17.1) 3,403.1
STOCKHOLDERS EQUITY	1,600.9902.53,163.2(4,065.8)1,600.8
$3,143.6$4,357.6$4,940.1$(4,065.8)$8,375.5	

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LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(13) Supplemental Guarantor Condensed Consolidating Financial Statements (continued)

For the Three Months Ended March 31, 2001

	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
	(Unaudited, in millions)				
Net sales	$235.8	$970.8	$2,424.7	$(127.7)	$3,503.6
Cost of sales	245.2	898.5	2,222.6	(127.7)	3,238.6
Selling, general and administrative expenses	25.5	14.2	90.7		130.4
Amortization of goodwill	.6	7.8	14.0		22.4
Interest (income) expense	24.9	39.8	5.4		70.1
Intercompany charges, net	(81.7)	46.0	35.7		
Other (income) expense, net	.8	(1.5)	12.8		12.1
Income (loss) before provision (credit) for income taxes, equity in net income of subsidiaries and extraordinary item	20.5	(34.0)	43.5		30.0
Provision (credit) for income taxes	7.2	(11.9)	19.6		14.9
Equity in net income of subsidiaries	(1.8)	(55.5)		57.3	
Income (loss) before extraordinary item	15.1	33.4	23.9	(57.3)	15.1
Extraordinary loss on early extinguishment of debt, net of tax	.6				.6
Net income	$14.5	$33.4	$23.9	$(57.3)	$14.5

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LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(13) Supplemental Guarantor Condensed Consolidating Financial Statements (continued)

	For the Three Months Ended April 1, 2000				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
	(Unaudited, in millions)				
Net sales	$284.7	$1,646.9	$2,696.2	$(822.7)	$3,805.1
Cost of sales	293.5	1,456.7	2,520.6	(822.7)	3,448.1
Selling, general and administrative expenses	33.6	19.1	88.4		141.1
Amortization of goodwill	1.0	8.2	13.0		22.2
Interest expense	26.8	44.8	7.2		78.8
Intercompany charges, net	(56.0)	41.3	14.7		
Other (income) expense, net	(2.9)	3.2	9.5		9.8
Income (loss) before provision (credit) for income taxes and equity in net income of subsidiaries	(11.3)	73.6	42.8		105.1
Provision (credit) for income taxes	(6.8)	36.9	13.0		43.1
Equity in net income of subsidiaries	(66.5)	(29.1)		95.6	
Net income	$62.0	$65.8	$29.8	$(95.6)	$62.0

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LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(13) Supplemental Guarantor Condensed Consolidating Financial Statements (continued)

	For the Three Months Ended March 31, 2001				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
	(Unaudited, in millions)				
Net cash provided by (used in) operating activities	$17.4	$152.1	$137.0	$	$306.5
Cash Flows from Investing Activities:					
Additions to property, plant and equipment	(2.9)	(10.0)	(37.9)		(50.8)
Net proceeds from disposition of businesses and other assets			36.3		36.3
Net cash provided by (used in) investing activities	(2.9)	(10.0)	(1.6)		(14.5)
Cash Flows from Financing Activities:					
Senior notes	223.4				223.4
Long-term borrowings, net	(442.4)		(45.5)		(487.9)
Short-term borrowings, net	(56.5)		(11.9)		(68.4)
Increase (decrease) in drafts	66.0		(6.5)		59.5
Change in intercompany accounts	212.5	(143.0)	(69.5)		
Net cash provided by (used in) financing activities	3.0	(143.0)	(133.4)		(273.4)

Effect of foreign currency translation
38.4 38.4

Net Change in Cash and Cash Equivalents
17.5(.9)40.4 57.0
Cash and Cash Equivalents at Beginning of Period
7.18.283.5 98.8

Cash and Cash Equivalents at End of Period
$24.6$7.3$123.9$ $155.8

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LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(13) Supplemental Guarantor Condensed Consolidating Financial Statements (continued)

	For the Three Months Ended April 1, 2000				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
	(Unaudited, in millions)				
Net cash provided by (used in) operating activities	$ 40.1	$ 107.0	$ (71.2		