



**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT**

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **July 17, 2003**

**LEAR CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation)

**1-11311**

(Commission File Number)

**13-3386776**

(IRS Employer Identification Number)

**21557 Telegraph Road, Southfield, MI**

(Address of principal executive offices)

**48034**

(Zip Code)

**(248) 447-1500**

(Registrant's telephone number, including area code)

**N/A**

(Former name or former address, if changed since last report)

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[EX-99.1 Press Release](#)

[EX-99.2 Slides](#)

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**Item 5. Other Events and Regulation FD Disclosure**

On July 17, 2003, Lear Corporation issued a press release reporting its financial results for the second quarter of 2003 and updating its earnings guidance for 2003. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated by reference herein.

**Item 7. Financial Statements and Exhibits**

(c) Exhibits

99.1 Press release issued July 17, 2003, filed herewith.

99.2 Slides from the Lear Corporation webcast of its second quarter of 2003 earnings call made on July 17, 2003, filed herewith.

**Item 9. Regulation FD Disclosure**

The following information is provided pursuant to Item 12 of Form 8-K, "Disclosure of Results of Operations and Financial Condition," as contemplated by SEC Release No. 33-8216.

On July 17, 2003, Lear Corporation issued a press release reporting its financial results for the second quarter of 2003 and updating its earnings guidance for 2003. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated by reference herein.

The following information is provided pursuant to Item 9 of Form 8-K, "Regulation FD Disclosure," and Item 12 of Form 8-K, "Disclosure of Results of Operations and Financial Condition," as contemplated by SEC Release No. 33-8216.

On July 17, 2003, Lear Corporation made available the slides attached hereto as Exhibit 99.2 in a webcast of its second quarter of 2003 earnings call. Exhibit 99.2 is incorporated by reference herein. This information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

**SIGNATURE**

Pursuant to the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**LEAR CORPORATION,**  
a Delaware corporation

Date: July 17, 2003

By:           /s/ David C. Wajsgras          

Name: David C. Wajsgras  
Title: Senior Vice President and  
Chief Financial Officer

**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
99.1	Press release issued July 17, 2003, filed herewith.
99.2	Slides from the Lear Corporation webcast of its second quarter of 2003 earnings call made on July 17, 2003, filed herewith.

**FOR IMMEDIATE RELEASE****Investor Relations:**

Mel Stephens  
VP — IR and Corporate Communications  
(248) 447-1624

**Media:**

Andrea Puchalsky  
Director — Corporate Communications  
(248) 447-1651

**Lear's Second Quarter Net Sales Top \$4 Billion**

**Southfield, Mich., July 17, 2003** — Lear Corporation [NYSE: LEA], the world's largest automotive interior systems supplier, today reported financial results for the second quarter of 2003.

**Highlights Include:**

- **Record net sales of \$4.1 billion, up 8% from a year ago**
- **Net income of \$1.54 per share, up 21% from a year ago**
- **Strong cash flow used to reduce debt**
- **Twenty-one customer awards for excellence in quality and delivery**

For the second quarter of 2003, Lear posted record net sales of \$4.1 billion and net income of \$104.1 million, or \$1.54 per share. These results compare to net sales of \$3.8 billion and net income of \$85.5 million, or \$1.27 per share, for the second quarter of 2002.

“We grew our top line during the quarter, reaching a new sales milestone despite lower overall industry production,” said Bob Rossiter, Lear's Chairman and Chief Executive Officer. “Our strategy is to grow Lear's business profitably by delivering the best quality, innovation and service in the industry.”

The eight percent increase in net sales from a year ago reflects the addition of new business globally and a stronger Euro. Lower vehicle production in North America (down 9%) and in Western Europe (down 2%) partially offset this increase.

The twenty-one percent improvement in net income per share reflects the profit contribution from new business globally, aggressive cost reduction efforts, favorable product mix in North America, lower interest expense and a lower corporate tax rate.

“Our continuing cost improvements and overall operating efficiencies are allowing us to meet aggressive cost reduction targets from our customers,” Rossiter added.

(more)

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For the quarter, free cash flow was \$179.9 million, allowing the Company to continue to reduce its debt and improve financial flexibility. (Net cash provided by operating activities was \$160.7 million; a reconciliation of free cash flow to net cash provided by operating activities is provided in the attached supplemental data page.)

During the quarter, Lear received a total of twenty-one awards from General Motors, Ford, DaimlerChrysler, Toyota, Honda, Nissan, Mazda, Suzuki, Ferrari and Porsche for excellence in quality and delivery. "We are pleased with this recognition because customer satisfaction is our top priority and our roadmap for success," Rossiter continued.

### **Third Quarter and Full Year 2003 Outlook**

For the third quarter of 2003, net sales are expected to be approximately \$3.4 billion, up slightly from a year ago. This reflects the addition of new business globally and a stronger Euro, offset by lower vehicle production in North America (down 5%) and in Western Europe (down 7%). Net income per share is expected to be in the range of \$0.95 to \$1.05. Capital spending is projected to be approximately \$100 million, and free cash flow is expected to be about breakeven. For the second half of 2003, the corporate tax rate is anticipated to be 28%, down from 30% in the first half of 2003.

For the full year, net sales are expected to be approximately \$15.2 billion, compared with \$14.4 billion in 2002. This increase reflects the expected addition of \$900 million in new business globally and a stronger Euro, offset in part by lower vehicle production in North America (down from 16.4 million units to a range of 15.7 to 15.9 million units) and in Western Europe (down from 16.4 million units to a range of 15.7 to 15.9 million units). Net income per share is expected to be in the range of \$5.20 to \$5.50, reflecting improved results in the second quarter and a lower corporate tax rate in the second half of 2003. Full year capital spending is projected to be approximately \$300 million, and free cash flow is expected to be approximately \$400 million.

Lear Corporation, a Fortune 500 company headquartered in Southfield, Mich., USA, focuses on integrating complete automotive interiors, including seat systems, interior trim and electrical systems. With annual net sales of \$14.4 billion in 2002, Lear is the world's largest automotive interior systems supplier. The Company's world-class products are designed, engineered and manufactured by more than 115,000 employees at 280 facilities located in 33 countries.

Lear's news releases and other information, including certain financial and statistical information presented during its periodic earnings conference calls, are available on the Company's website at [www.lear.com](http://www.lear.com). Lear will webcast live its second quarter earnings conference call through the Investor Relations link at [www.lear.com](http://www.lear.com) at 2:00 p.m. (Eastern) on July 17, 2003. In addition, one may access the conference call by dialing 1-800-789-4751 (domestic) or 1-706-679-3323 (international) with the access code number of 668477. The audio replay will be available two hours following the call at 1-800-642-1687 (domestic) or 1-706-645-9291 (international) with the access code number of 668477 and will be available until August 1, 2003.



## **Use of Non-GAAP Financial Information**

In addition to the results reported in accordance with accounting principles generally accepted in the United States (“GAAP”) included throughout this news release, the Company has provided information regarding “free cash flow” (a non-GAAP financial measure). Free cash flow represents net cash provided by operating activities before the net change in sold accounts receivable, less capital expenditures. The Company believes it is appropriate to exclude the net change in sold accounts receivable in the calculation of free cash flow since the sale of receivables may be viewed as a borrowing activity.

Management believes that free cash flow is useful to both management and investors in their analysis of the Company’s ability to service and repay its debt. Further, management uses free cash flow for planning and forecasting in future periods.

Free cash flow should not be considered in isolation or as a substitute for net income, net cash provided by operating activities or other cash flow statement data prepared in accordance with GAAP, or as a measure of profitability or liquidity. In addition, the calculation of free cash flow does not reflect cash used to service debt, and thus does not reflect funds available for investment or other discretionary uses. Also, free cash flow, as determined and presented by the Company, may not be comparable to related or similarly titled measures reported by other companies.

For a reconciliation of free cash flow to net cash provided by operating activities, see the attached supplemental data page which, together with this press release, has been posted on the Company’s website through the Investor Relations link at [www.lear.com](http://www.lear.com).

## **Forward-Looking Statements**

This news release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding anticipated financial results. Actual results may differ materially from anticipated results as a result of certain risks and uncertainties, including but not limited to general economic conditions in the markets in which the Company operates, including changes in interest rates and fuel prices, fluctuations in the production of vehicles for which the Company is a supplier, labor disputes involving the Company or its significant customers or that otherwise affect the Company, the Company’s ability to achieve cost reductions that offset or exceed customer-mandated selling price reductions, increases in warranty costs, risks associated with conducting business in foreign countries, fluctuations in currency exchange rates, adverse changes in economic conditions or political instability in the jurisdictions in which the Company operates, competitive conditions impacting the Company’s key customers, raw material cost and availability, unanticipated changes in free cash flow and other risks detailed from time to time in the Company’s Securities and Exchange Commission filings. These forward-looking statements are made as of the date hereof, and the Company does not assume any obligation to update them.

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**Lear Corporation and Subsidiaries**  
**Consolidated Statements of Income**  
(Unaudited; in millions, except per share amounts)

	Three Months Ended	
	June 28, 2003	June 29, 2002
Net sales	\$ 4,101.2	\$ 3,792.2
Cost of sales	3,748.0	3,462.9
Selling, general and administrative expenses	141.5	132.9
Interest expense	49.1	53.4
Other expense, net	13.9	14.5
	148.7	128.5
Income before income taxes	148.7	128.5
Income taxes	44.6	43.0
	104.1	85.5
Net income	\$ 104.1	\$ 85.5
	1.58	1.31
Basic net income per share	\$ 1.58	\$ 1.31
	1.54	1.27
Diluted net income per share	\$ 1.54	\$ 1.27
	66.0	65.5
Weighted average number of shares outstanding — basic	66.0	65.5
	67.7	67.4
Weighted average number of shares outstanding — diluted	67.7	67.4

**Lear Corporation and Subsidiaries**  
**Consolidated Statements of Income**  
(Unaudited; in millions, except per share amounts)

	Six Months Ended	
	June 28, 2003	June 29, 2002
Net sales	\$ 7,999.9	\$ 7,326.8
Cost of sales	7,338.1	6,724.9
Selling, general and administrative expenses	288.2	264.5
Interest expense	102.2	110.4
Other expense, net	25.7	28.7
Income before income taxes and cumulative effect of a change in accounting principle	245.7	198.3
Income taxes	73.7	66.4
Income before cumulative effect of a change in accounting principle	172.0	131.9
Cumulative effect of a change in accounting principle, net of tax	—	298.5 (a)
Net income (loss)	\$ 172.0	\$ ( 166.6)
Basic income per share before cumulative effect of a change in accounting principle	\$ 2.61	\$ 2.03
Basic net income (loss) per share	\$ 2.61	\$ (2.56)
Diluted income per share before cumulative effect of a change in accounting principle	\$ 2.55	\$ 1.97
Diluted net income (loss) per share	\$ 2.55	\$ (2.49)
Weighted average number of shares outstanding — basic	65.9	65.0
Weighted average number of shares outstanding — diluted	67.5	66.9

- (a) On January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets." Under this statement, goodwill is no longer amortized but is subject to annual impairment analysis. The Company's initial impairment analysis compared the fair values of each of its reporting units, based on discounted cash flow analyses, to the related net book values. As a result, the Company recorded impairment charges of \$310.8 million (\$298.5 million after-tax or \$4.46 per diluted share) as of January 1, 2002. These charges are reflected as a cumulative effect of a change in accounting principle, net of tax in the consolidated statement of income for the six months ended June 29, 2002.

**Lear Corporation and Subsidiaries**  
**Consolidated Balance Sheets**  
(In millions)

	June 28, 2003	December 31, 2002
	(Unaudited)	(Audited)
<b>ASSETS</b>		
<b>Current:</b>		
Cash and cash equivalents	\$ 103.1	\$ 91.7
Accounts receivable	2,306.3	1,508.0
Inventories	484.8	489.7
Recoverable customer engineering and tooling	174.9	153.2
Other	230.6	265.1
	<u>3,299.7</u>	<u>2,507.7</u>
<b>Long-Term:</b>		
PP&E, net	1,735.1	1,710.6
Goodwill, net	2,899.2	2,860.4
Other	431.0	404.3
	<u>5,065.3</u>	<u>4,975.3</u>
<b>Total Assets</b>	<b>\$ 8,365.0</b>	<b>\$ 7,483.0</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current:</b>		
Short-term borrowings	\$ 35.1	\$ 37.3
Accounts payable and drafts	2,466.2	1,966.4
Accrued liabilities	1,218.7	1,037.6
Current portion of long-term debt	3.9	3.9
	<u>3,723.9</u>	<u>3,045.2</u>
<b>Long-Term:</b>		
Long-term debt	2,054.4	2,132.8
Other	675.0	642.7
	<u>2,729.4</u>	<u>2,775.5</u>
<b>Stockholders' Equity</b>	<b>1,911.7</b>	<b>1,662.3</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 8,365.0</b>	<b>\$ 7,483.0</b>

**Lear Corporation and Subsidiaries**  
**Supplemental Data**  
(Unaudited; in millions, except content per vehicle data)

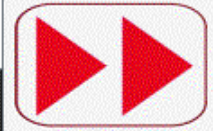
	Three Months Ended	
	June 28, 2003	June 29, 2002
<b>Net Sales</b>		
U.S. and Canada	\$ 2,230.1	\$ 2,262.6
Europe	1,455.9	1,144.8
Rest of World	415.2	384.8
<b>Total</b>	<b>\$ 4,101.2</b>	<b>\$ 3,792.2</b>
<b>Content Per Vehicle *</b>		
North America	\$ 597	\$ 553
Western Europe	317	249
South America	92	87
<b>Free Cash Flow **</b>		
Net cash provided by operating activities	\$ 160.7	\$ 131.4
Net change in sold accounts receivable	86.2	34.3
Net cash provided by operating activities before net change in sold accounts receivable	246.9	165.7
Capital expenditures	(67.0)	(56.3)
<b>Free cash flow</b>	<b>\$ 179.9</b>	<b>\$ 109.4</b>
<b>Depreciation</b>	<b>\$ 77.7</b>	<b>\$ 73.6</b>
<b>Six Months Ended</b>		
	June 28, 2003	June 29, 2002
<b>Net Sales</b>		
U.S. and Canada	\$ 4,427.7	\$ 4,371.1
Europe	2,787.2	2,241.1
Rest of World	785.0	714.6
<b>Total</b>	<b>\$ 7,999.9</b>	<b>\$ 7,326.8</b>
<b>Content Per Vehicle *</b>		
North America	\$ 598	\$ 563
Western Europe	308	247
South America	82	89
<b>Free Cash Flow **</b>		
Net cash provided by operating activities	\$ 257.3	\$ 300.3
Net change in sold accounts receivable	139.6	5.8
Net cash provided by operating activities before net change in sold accounts receivable	396.9	306.1
Capital expenditures	(137.3)	(102.5)
<b>Free cash flow</b>	<b>\$ 259.6</b>	<b>\$ 203.6</b>
<b>Depreciation</b>	<b>\$ 152.1</b>	<b>\$ 147.7</b>

\* Content Per Vehicle for 2002 has been updated to reflect actual production levels.

\*\* See "Use of Non-GAAP Financial Information" included in this news release.

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**July 17, 2003**



advance relentlessly

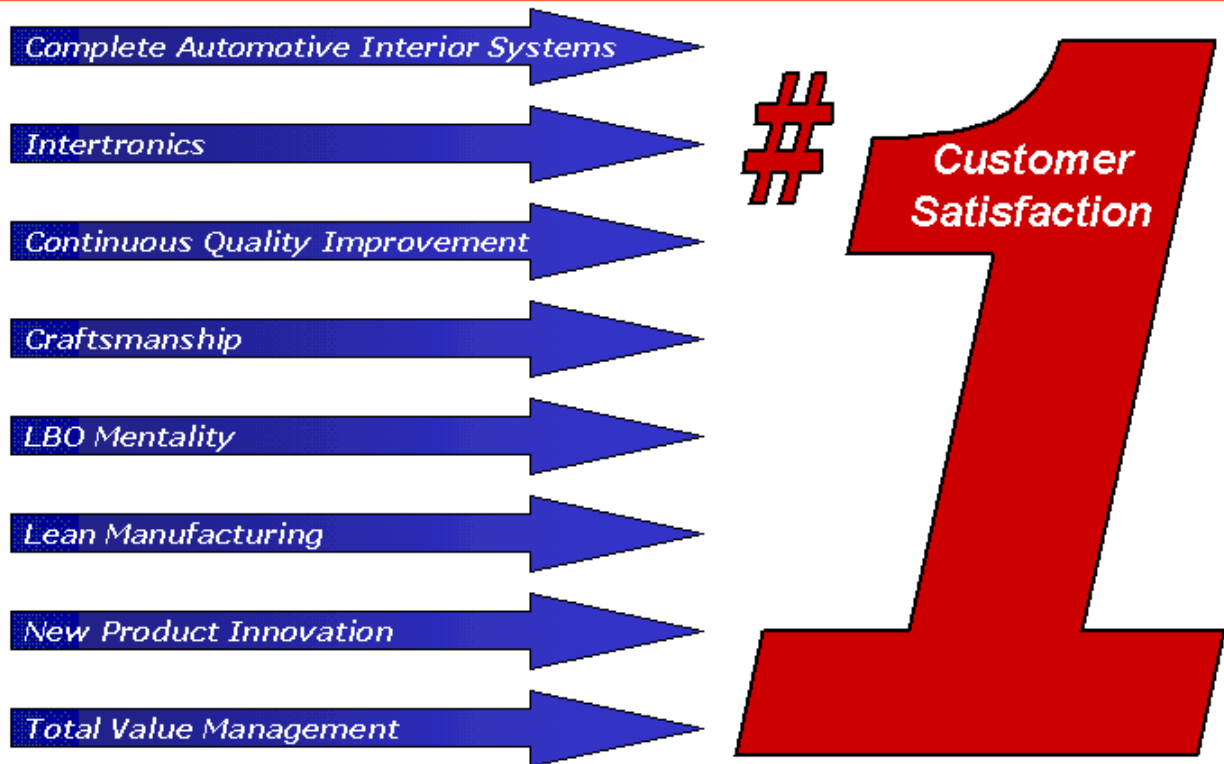
***Second Quarter 2003 Earnings Review  
and Updated Guidance***

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- I. Customer Focus**  
**Bob Rossiter, Chairman & CEO**
  
- II. Operating Results**  
**Jim Vandenberghe, Vice Chairman**
  
- III. Second Quarter Financial Review & Guidance**  
**Dave Wajsgras, SVP & CFO**
  
- IV. Q & A**

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## Customer Satisfaction is Our Top Priority





**Customer-Focused Strategy Driving Success**

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- Record quarterly net sales of \$4.1 billion, up 8%
- Net income per share of \$1.54, up 21 %
- Strong cash flow and continued debt reduction
- Twenty-one customer awards for quality and delivery
- Quality and cost improvements providing value to our customers and shareholders

***Another Quarter of Solid Operating  
and Financial Performance***

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### **Despite Lower Production, Lear is Performing Well**

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- Industry continues to focus on automotive interiors
- Intertronics is a competitive advantage and a growth opportunity
- \$4.0 billion sales backlog strongest ever
- Continuing quality improvements
- Ongoing operating efficiencies

***Our Strong Customer Relationships and  
Total Interior Capabilities are Driving  
Improved Financial Performance***

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### Update on GM Total Interior Program

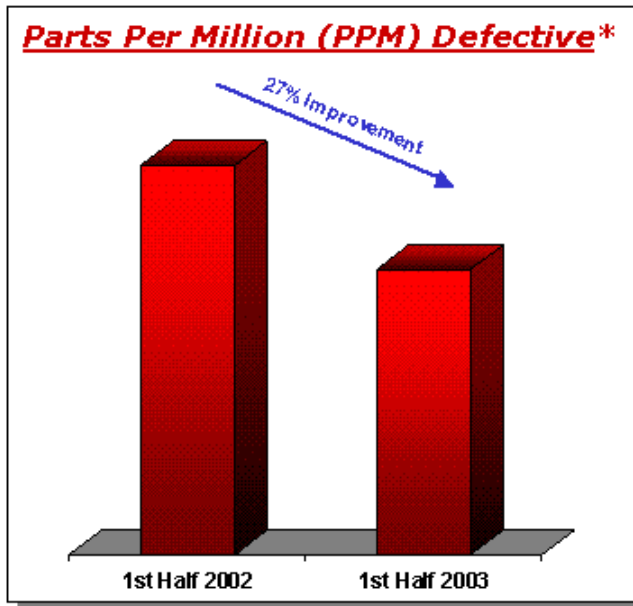
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- ✓ Sourcing matrix complete; Lear plants will supply more than 90% of total interior content
- ✓ Lear design and engineering teams work collaboratively with GM; on track for 'prototype' builds in early 2004
- ✓ Interiors to feature several Lear innovations
  - Spray PUR<sup>®</sup> seamless polyurethane coating on instrument panel
  - Sonotec<sup>®</sup> lightweight acoustical products
  - Flexible seating architecture

***Lear Works in Close Partnership with GM to Deliver "World Class" Interiors for Next Generation Large and Luxury Vehicles***

# Operating Results

## Quality Continues to Improve



- Management priority
- Global focus
- Part of Lear culture
- Six Sigma discipline
- Sharing best practices
- Teamwork

***Driven to Provide the Highest Quality Products and Services in the Automotive Industry***

\* Based on internal and customer data.

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**Production Environment - Second Quarter 2003**

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**North America**

- Industry production down 9%; Big Three down 12%
- Content Per Vehicle of \$597, up 8% from a year ago, reflecting new business and positive mix

**Western Europe**

- Industry production down 2%; key Lear customers/platforms down more than industry average
- Content Per Vehicle of \$317, up about 3% from a year ago adjusted for currency
- Euro 24% stronger than a year ago

***Production Environment Remains Difficult in  
North America and Western Europe***

# Financial Review

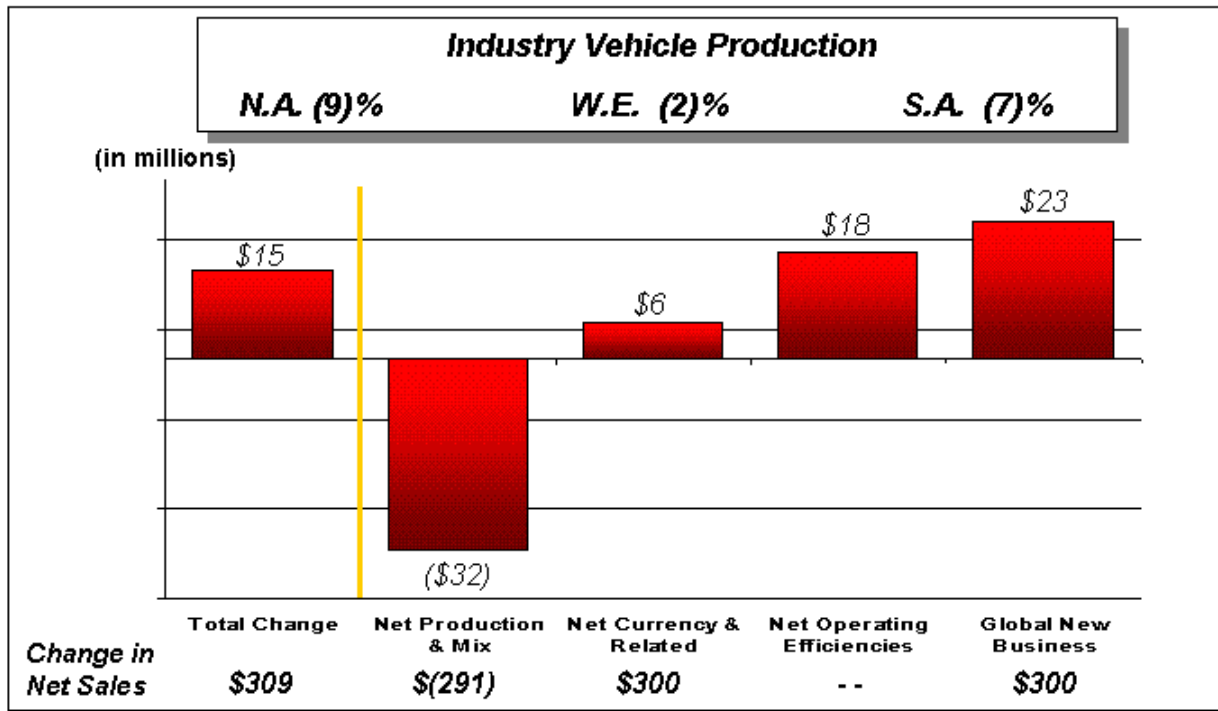


## Financial Highlights - Second Quarter 2003

(in millions, except net income per share)	Second Quarter 2003	Second Quarter 2002	2Q '03 B/(W) 2Q '02
<b>Net Sales</b>	\$ 4,101.2 ✓	\$ 3,792.2	\$ 309.0
<b>Income before Interest, Other Expense &amp; Income Taxes*</b>	\$ 211.7	\$ 196.4	\$ 15.3
<b>Margin</b>	5.2 %	5.2 %	-
<b>Net Income</b>	\$ 104.1	\$ 85.5	\$ 18.6
<b>Net Income Per Share</b>	\$ 1.54	\$ 1.27	\$ 0.27
<b>SG&amp;A % of Net Sales</b>	3.5 %	3.5 %	-
<b>Interest Expense</b>	\$ 49.1	\$ 53.4	\$ 4.3
<b>Other Expense, Net</b>	\$ 13.9	\$ 14.5	\$ 0.6
<b>Vehicle Production (000)</b>			
<b>North America</b>	4,145	4,555	( 410 )
<b>Western Europe</b>	4,282	4,372	( 90 )
✓ Record			

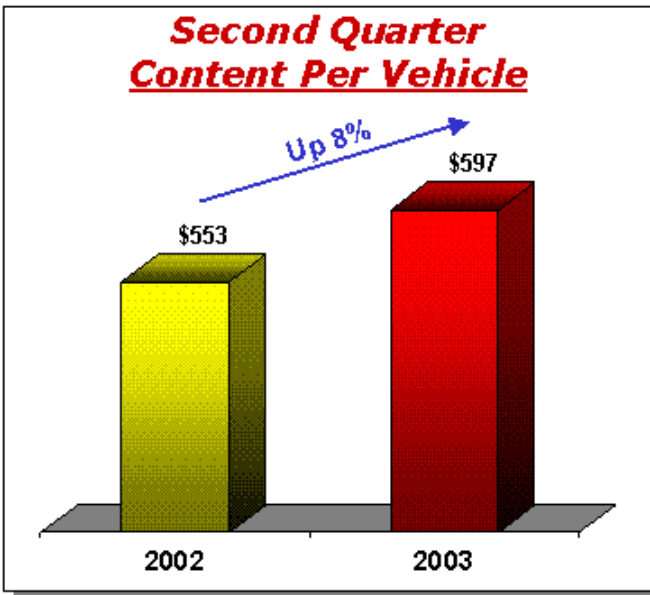
\* Income before income taxes for the Second Quarter 2003 and 2002 was \$148.7 and \$128.5, respectively. Please see slides titled "Use of Non-GAAP Financial Information" at the end of this presentation.

## 2Q03 vs 2Q02 - Change in Core Operating Earnings\*



\* Core operating earnings is defined as income before interest, other expense and income taxes. Please see slides titled "Use of Non-GAAP Financial Information" at the end of this presentation.

**Second Quarter North American Content Per Vehicle**



- Impact on Lear CPV***
- Light truck production mix +
  - Full size & luxury SUV production up +
  - Strong backlog +
  - Increased Lear product content +

***Outlook for Third Quarter Content Per Vehicle Flat;  
Full Year Content Per Vehicle Up***



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**2003 Capital Spending Plan**

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(in millions)	<u>2Q</u>	<u>1H</u>	<u>2H</u>	<u>FY</u>
2003 Actual / Forecast	\$ 67	\$ 137	\$ 163	\$ 300
2002 Actual	\$ 56	\$ 102	\$ 171	\$ 273

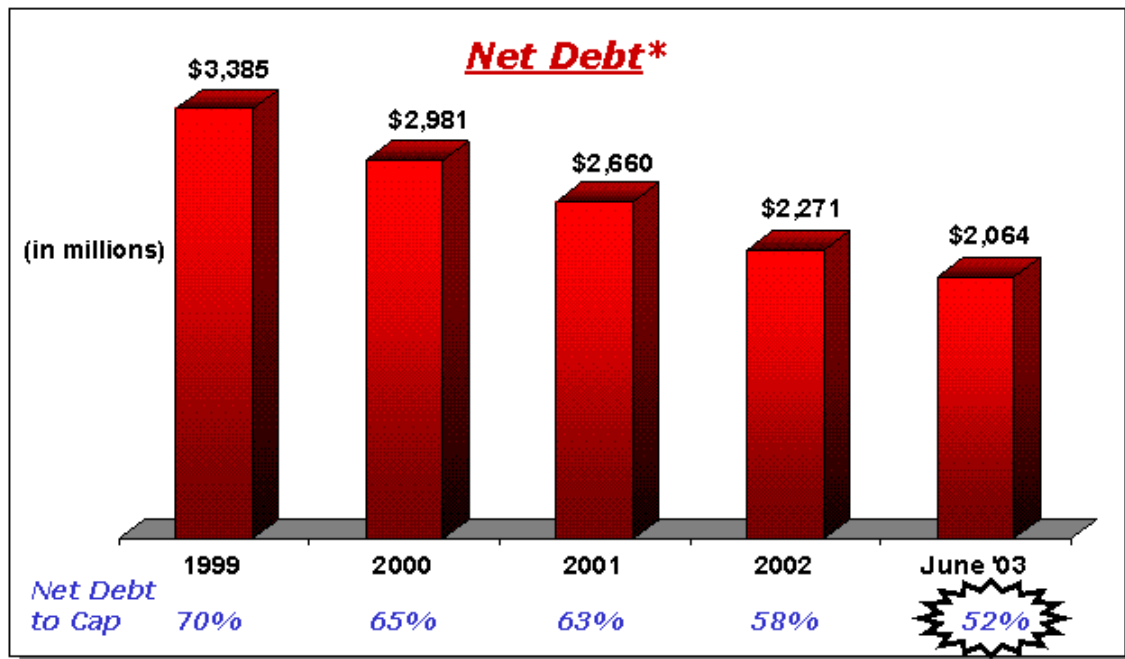
***No Change to Full Year 2003 Capital Spending Plan***

## 2Q03 Free Cash Flow

(in millions)	<u>2Q03</u>	<u>Six Months</u>
Net Income	\$ 104	\$ 172
Depreciation	78	152
Working Capital / Other	65	73
<b>Cash from Operations*</b>	<b>\$ 247</b>	<b>\$ 397</b>
Capital Expenditures	( 67 )	( 137 )
<b>Free Cash Flow</b>	<b>\$ 180</b>	<b>\$ 260</b>

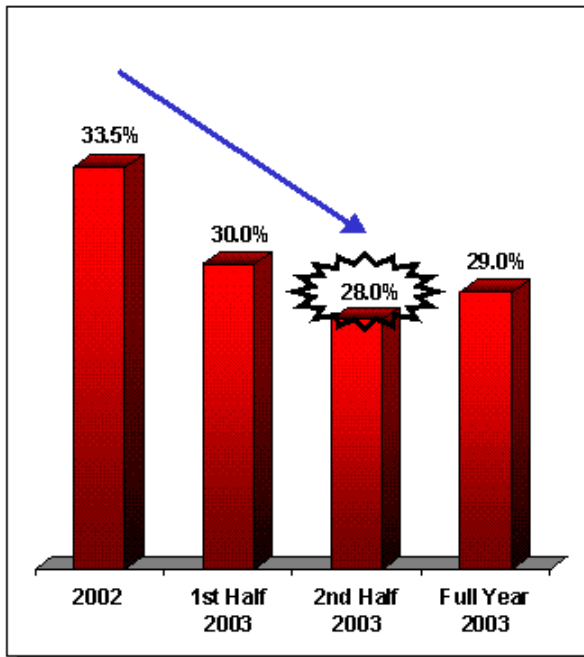
\* Cash from Operations represents net cash provided by operating activities (\$161 for second quarter and \$257 for six months ended 6/28/03) before net change in sold accounts receivable (\$86 for second quarter and \$140 for six months ended 6/28/03). Please see slides titled "Use of Non-GAAP Financial Information" at the end of this presentation.

## Further Debt Reduction & Increased Financial Flexibility



\* Net debt represents total debt plus utilization of our ABS facility, less cash.  
Please see slides titled "Use of Non-GAAP Financial Information" at the end of this presentation.

**Corporate Tax Rate Declining**

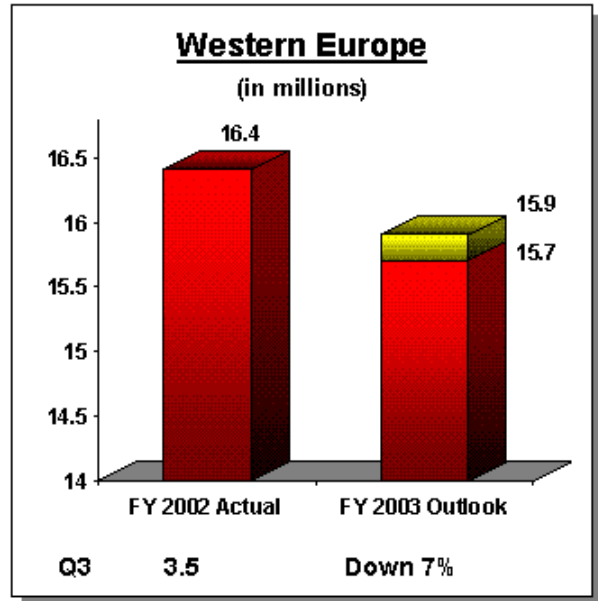
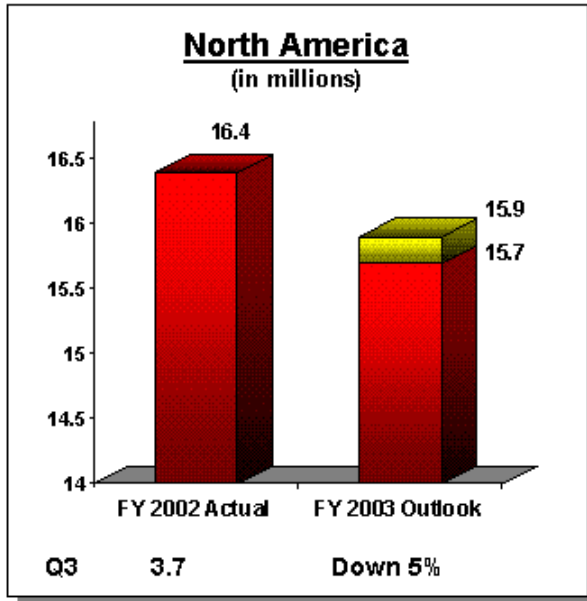


***Factors Influencing  
our Tax Rate***

- Emphasis on proactive tax planning
- Efficient management of Legal Entity structure to optimize tax results
- Improving mix of Non-U.S. Earnings

***A Continued and Sustainable Reduction in the Corporate Tax Burden***

2003 Vehicle Production Outlook



***2003 Production Down in North America and Western Europe***

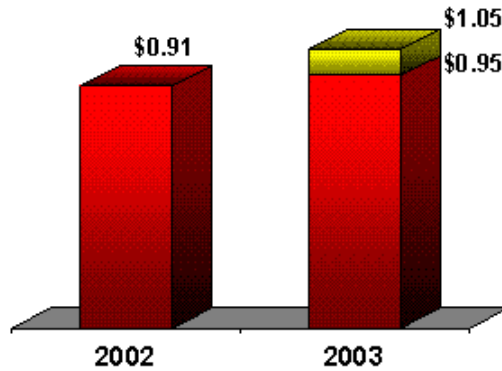
# Financial Review

## 2003 Guidance



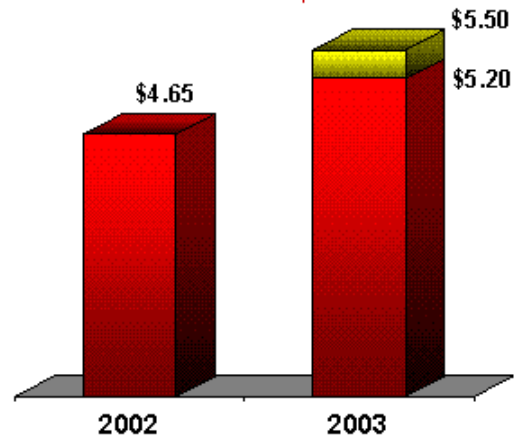
### Third Quarter Net Income Per Share

*Net Sales of  
≈ \$3.4 Billion*



### Full Year Net Income Per Share

*Net Sales of  
≈ \$15.2 Billion*



Interest Expense           \$ 50 M  
 Capital Expenditures   \$ 100 M  
 Free Cash Flow           Breakeven

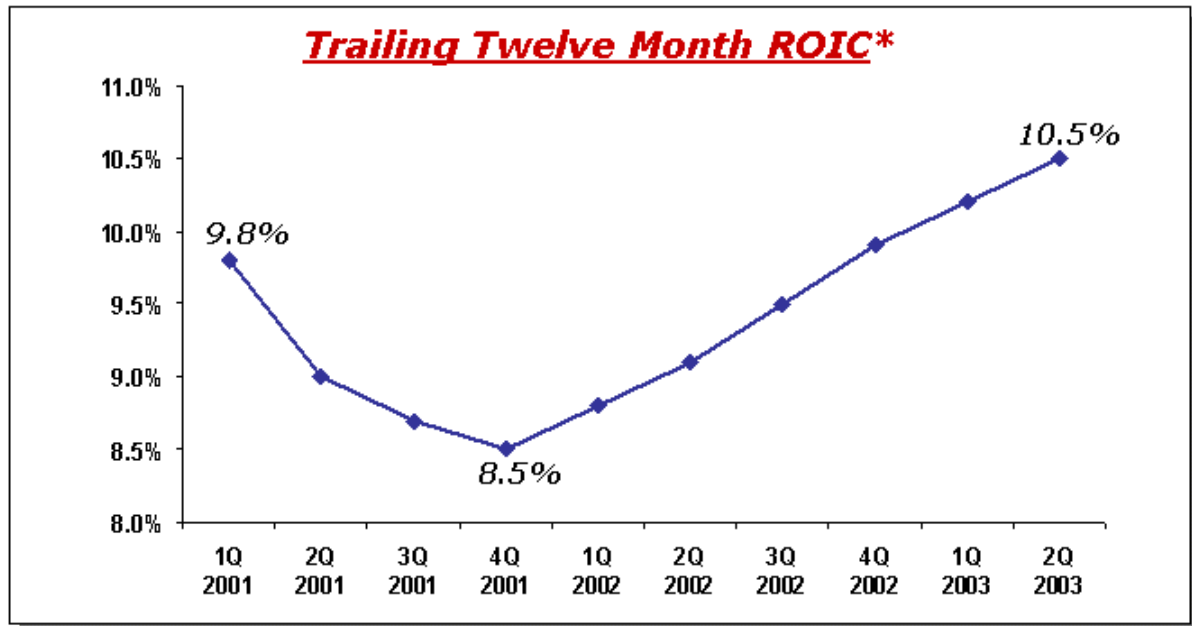
\$ 200 M  
 \$ 300 M  
 \$ 400 M

Note: Full year 2002 net income per share excludes the impact of goodwill impairment of \$298.5M after-tax, or \$4.46 per share.

## Operating Results



## Return on Invested Capital Improving



\* Return on Invested Capital (ROIC) represents income before restructuring charges, amortization, interest, other expense and income taxes times (1 - effective tax rate) divided by average invested capital. Average invested capital is the sum of total assets, sold accounts receivable and the present value of operating leases (assuming a discount rate of 10%) less the sum of accounts payable and drafts and accrued liabilities, based on the account values on the last day of the prior four quarters.  
Please see slides titled "Use of Non-GAAP Financial Information" at the end of this presentation.

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### **Customer-Focused Strategy Driving our Success**

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- Quality and customer service remain our top priorities
- Top line growing as customers recognize Lear's value added
- Return on Invested Capital trending upward as we drive cost efficiencies and operating improvements worldwide
- Strong cash flow continues to strengthen balance sheet
- 2003 financial guidance increased to reflect Second Quarter results and a lower corporate tax rate

***Global Strategy Remains Unchanged; Leveraging our Total Interior Capabilities to Deliver Value to our Customers and Grow our Business***





**LEAR**  
CORPORATION

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ADVANCE RELENTLESSLY™

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NYSE: LEA

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In addition to the results reported in accordance with accounting principles generally accepted in the United States ("GAAP") included throughout this presentation, the Company has provided information regarding certain non-GAAP financial measures. These measures include "income before interest, other expense and income taxes," "income before restructuring charges, amortization, interest, other expense and income taxes," "free cash flow," "ROIC" and "net debt." Free cash flow represents net cash provided by operating activities before the net change in sold accounts receivable, less capital expenditures. The Company believes it is appropriate to exclude the net change in sold accounts receivable in the calculation of free cash flow since the sale of receivables may be viewed as a borrowing activity. ROIC represents income before restructuring charges, amortization, interest, other expense and income taxes times (1 - effective tax rate) divided by average invested capital. Average invested capital is the sum of total assets, sold accounts receivable and the present value of operating leases (assuming a discount rate of 10%) less the sum of accounts payable and drafts and accrued liabilities, based on the account values on the last day of the prior four quarters. Net debt represents total debt plus utilization under our ABS facility, less cash.

Management believes that the non-GAAP financial measures used in this presentation are useful to both management and investors in their analysis of the Company's financial position and results of operations. In particular, management believes that income before interest, other expense and income taxes and income before restructuring charges, amortization, interest, other expense and income taxes are useful measures in assessing the Company's financial performance by excluding certain items that are not indicative of the Company's core operating earnings or that may obscure trends useful in evaluating the Company's continuing operating activities. Management believes that free cash flow is useful in analyzing the Company's ability to service and repay its debt. Management believes that ROIC is a commonly used measure that provides useful information regarding the efficiency with which the Company's assets are deployed. Management believes that net debt is generally accepted as providing useful information regarding a company's financial condition. Further, management uses these non-GAAP measures for planning and forecasting in future periods.

Neither income before interest, other expense and income taxes, income before restructuring charges, amortization, interest, other expense and income taxes, free cash flow, ROIC nor net debt should be considered in isolation or as substitutes for net income, net cash provided by operating activities, total debt or other balance sheet or income or cash flow statement data prepared in accordance with GAAP or as measures of profitability or liquidity. In addition, the calculation of free cash flow does not reflect cash used to service debt, and thus does not reflect funds available for investment or other discretionary uses. Also, these non-GAAP financial measures, as determined and presented by the Company, may not be comparable to related or similarly titled measures reported by other companies.

Set forth on the following slides are reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP.

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## Use of Non-GAAP Financial Information

### Core Operating Earnings

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(in millions)	Three Months		Six Months	
	Q2 2003	Q2 2002	Q2 2003	Q2 2002
<b><u>Income before interest, other expense and income taxes</u></b>				
Income before income taxes	\$ 148.7	\$ 128.5	\$ 245.7	\$ 198.3
Interest expense	49.1	53.4	102.2	110.4
Other expense, net	<u>13.9</u>	<u>14.5</u>	<u>25.7</u>	<u>28.7</u>
Income before interest, other expense and income taxes (core operating earnings)	<u>\$ 211.7</u>	<u>\$ 196.4</u>	<u>\$ 373.6</u>	<u>\$ 337.4</u>

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## Use of Non-GAAP Financial Information

### Return on Invested Capital Earnings

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(in millions)	<u>Twelve Months</u>		
	<u>Q2 2003</u>	<u>Q4 2001</u>	<u>Q1 2001</u>
<b><u>Income before restructuring charges, amortization, interest, other expense and income taxes</u></b>			
Income before income taxes	\$ 515.9	\$ 89.9	\$ 395.9
Restructuring charges	-	159.3	4.2
Amortization	-	90.2	90.1
Interest expense	203.6	254.7	313.9
Other expense, net	<u>59.8</u>	<u>85.8</u>	<u>44.1</u>
Income before restructuring charges, amortization, interest, other expense and income taxes (return on invested capital earnings)	<u>\$ 779.3</u>	<u>\$ 679.9</u>	<u>\$ 848.2</u>

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## Use of Non-GAAP Financial Information

### Free Cash Flow

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(in millions)	Three Months		Six Months	
	Q2 2003	Q2 2002	Q2 2003	Q2 2002
<b>Free cash flow</b>				
Net cash provided by operating activities	\$ 160.7	\$ 131.4	\$ 257.3	\$ 300.3
Net change in sold accounts receivable	<u>86.2</u>	<u>34.3</u>	<u>139.6</u>	<u>5.8</u>
Net cash provided by operating activities before net change in sold accounts receivable	246.9	165.7	396.9	306.1
Capital expenditures	<u>( 67.0 )</u>	<u>( 56.3 )</u>	<u>( 137.3 )</u>	<u>( 102.5 )</u>
Free cash flow	<u>\$ 179.9</u>	<u>\$ 109.4</u>	<u>\$ 259.6</u>	<u>\$ 203.6</u>

# Use of Non-GAAP Financial Information

## Net Debt



(in millions)	<b>June 28,</b>		<b>December 31,</b>		
<b>Net debt</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
Short-term borrowings	\$ 35.1	\$ 37.3	\$ 63.2	\$ 72.4	\$ 103.6
Current portion of long-term debt	3.9	3.9	129.5	155.6	63.6
Long-term debt	<u>2,054.4</u>	<u>2,132.8</u>	<u>2,293.9</u>	<u>2,852.1</u>	<u>3,324.8</u>
Total debt	<u>2,093.4</u>	<u>2,174.0</u>	<u>2,486.6</u>	<u>3,080.1</u>	<u>3,492.0</u>
Cash	( 103.1 )	( 91.7 )	( 87.6 )	( 98.8 )	( 106.9 )
Asset backed securitization	73.6	189.0	260.7	-	-
Net debt	<u>\$ 2,063.9</u>	<u>\$2,271.3</u>	<u>\$ 2,659.7</u>	<u>\$ 2,981.3</u>	<u>\$ 3,385.1</u>

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding anticipated financial results. Actual results may differ materially from anticipated results as a result of certain risks and uncertainties, including but not limited to general economic conditions in the markets in which the Company operates, including changes in interest rates and fuel prices, fluctuations in the production of vehicles for which the Company is a supplier, labor disputes involving the Company or its significant customers or that otherwise affect the Company, the Company's ability to achieve cost reductions that offset or exceed customer-mandated selling price reductions, increases in warranty costs, risks associated with conducting business in foreign countries, fluctuations in currency exchange rates, adverse changes in economic conditions or political instability in the jurisdictions in which the Company operates, competitive conditions impacting the Company's key customers, raw material cost and availability, unanticipated changes in free cash flow and other risks detailed from time to time in the Company's Securities and Exchange Commission filings. These forward-looking statements are made as of the date hereof, and the Company does not assume any obligation to update them.