



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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **September 27, 2003**

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**  
(State or other jurisdiction of  
incorporation or organization)  
**21557 Telegraph Road, Southfield, MI**  
(Address of principal executive offices)

**13-3386776**  
(I.R.S. Employer Identification No.)  
**48034**  
(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 such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). 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 October 31, 2003: 67,669,698

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##### Signatures

##### Robert E. Rossiter Performance Share Award Agrmt

##### James H. Vandenberghe Performance Share Award Agrmt

##### Douglas G. DelGrosso Performance Share Award Agrmt

##### Donald J. Stebbins Performance Share Award Agrmt

##### David C. Wajsgras Performance Share Award Agrmt

##### Daniel A. Ninivaggi Employment Agreement

##### CEO Certification pursuant to Rule 13a-14(a)

##### CFO Certification pursuant to Rule 13a-14(a)

##### Sarbanes-Oxley CEO Certification

##### Sarbanes-Oxley CFO Certification

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LEAR CORPORATION

**FORM 10-Q**  
**FOR THE QUARTER ENDED SEPTEMBER 27, 2003**

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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 unaudited condensed consolidated financial statements of Lear Corporation and subsidiaries 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 accounting principles generally accepted in the United States 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, 2002.

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

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

	September 27, 2003	December 31, 2002
	(Unaudited)	
<b>ASSETS</b>		
<i>CURRENT ASSETS:</i>		
Cash and cash equivalents	\$ 102.5	\$ 91.7
Accounts receivable	2,252.6	1,508.0
Inventories	512.1	489.7
Recoverable customer engineering and tooling	185.1	153.2
Other	244.6	265.1
	_____	_____
Total current assets	3,296.9	2,507.7
<i>LONG-TERM ASSETS:</i>		
Property, plant and equipment, net	1,717.7	1,710.6
Goodwill, net	2,897.5	2,860.4
Other	441.3	404.3
	_____	_____
Total long-term assets	5,056.5	4,975.3
	_____	_____
	\$ 8,353.4	\$ 7,483.0
	_____	_____
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<i>CURRENT LIABILITIES:</i>		
Short-term borrowings	\$ 11.3	\$ 37.3
Accounts payable and drafts	2,404.8	1,966.4
Accrued liabilities	1,195.0	1,037.6
Current portion of long-term debt	4.4	3.9
	_____	_____
Total current liabilities	3,615.5	3,045.2
<i>LONG-TERM LIABILITIES:</i>		
Long-term debt	2,042.2	2,132.8
Other	665.4	642.7
	_____	_____
Total long-term liabilities	2,707.6	2,775.5
<i>STOCKHOLDERS' EQUITY:</i>		
Common stock, \$.01 par value, 150,000,000 shares authorized; 71,719,033 shares issued as of September 27, 2003 and 70,099,988 shares issued as of December 31, 2002	0.7	0.7
Additional paid-in capital	998.9	943.6
Common stock held in treasury, 4,306,785 shares as of September 27, 2003 and 4,362,330 shares as of December 31, 2002, at cost	(110.9)	(111.4)
Retained earnings	1,323.9	1,075.8
Accumulated other comprehensive loss	(182.3)	(246.4)
	_____	_____
Total stockholders' equity	2,030.3	1,662.3
	_____	_____
	\$ 8,353.4	\$ 7,483.0
	_____	_____

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

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

	Three Months Ended		Nine Months Ended	
	September 27, 2003	September 28, 2002	September 27, 2003	September 28, 2002
Net sales	\$ 3,491.5	\$ 3,337.4	\$ 11,491.4	\$ 10,664.2
Cost of sales	3,187.8	3,053.1	10,525.9	9,778.0
Selling, general and administrative expenses	140.6	125.4	428.8	389.9
Interest expense	44.0	51.6	144.7	159.2
Other expense, net	13.4	14.6	40.6	46.1
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Income before provision for income taxes and cumulative effect of a change in accounting principle	105.7	92.7	351.4	291.0
Provision for income taxes	29.6	31.1	103.3	97.5
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Income before cumulative effect of a change in accounting principle	76.1	61.6	248.1	193.5
Cumulative effect of a change in accounting principle, net of tax	—	—	—	298.5
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net income (loss)	<u>\$ 76.1</u>	<u>\$ 61.6</u>	<u>\$ 248.1</u>	<u>\$ (105.0)</u>
Basic net income (loss) per share:				
Income before cumulative effect of a change in accounting principle	\$ 1.13	\$ 0.94	\$ 3.74	\$ 2.97
Cumulative effect of a change in accounting principle	—	—	—	4.58
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Basic net income (loss) per share	<u>\$ 1.13</u>	<u>\$ 0.94</u>	<u>\$ 3.74</u>	<u>\$ (1.61)</u>
Diluted net income (loss) per share:				
Income before cumulative effect of a change in accounting principle	\$ 1.10	\$ 0.91	\$ 3.65	\$ 2.89
Cumulative effect of a change in accounting principle	—	—	—	4.46
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Diluted net income (loss) per share	<u>\$ 1.10</u>	<u>\$ 0.91</u>	<u>\$ 3.65</u>	<u>\$ (1.57)</u>

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

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

	Nine Months Ended	
	September 27, 2003	September 28, 2002
<b>Cash Flows from Operating Activities:</b>		
Net income (loss)	\$ 248.1	\$ (105.0)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Cumulative effect of a change in accounting principle, net of tax	—	298.5
Depreciation	234.7	223.0
Net change in recoverable customer engineering and tooling	(40.5)	20.5
Net change in working capital items	80.3	(51.8)
Other, net	27.9	12.3
Net cash provided by operating activities before net change in sold accounts receivable	550.5	397.5
Net change in sold accounts receivable	(190.9)	(27.4)
Net cash provided by operating activities	359.6	370.1
<b>Cash Flows from Investing Activities:</b>		
Additions to property, plant and equipment	(214.2)	(173.3)
Cost of acquisitions, net of cash acquired	(12.4)	(10.7)
Other, net	31.5	18.0
Net cash used in investing activities	(195.1)	(166.0)
<b>Cash Flows from Financing Activities:</b>		
Issuance of senior notes	—	250.3
Long-term debt repayments, net	(126.1)	(538.4)
Short-term debt borrowings (repayments), net	(28.4)	21.6
Proceeds from sale of common stock	42.5	47.4
Purchase of treasury stock	(1.1)	—
Increase (decrease) in drafts	(33.5)	29.6
Other, net	—	0.6
Net cash used in financing activities	(146.6)	(188.9)
Effect of foreign currency translation	(7.1)	(16.4)
<b>Net Change in Cash and Cash Equivalents</b>	<b>10.8</b>	<b>(1.2)</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>91.7</b>	<b>87.6</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 102.5</b>	<b>\$ 86.4</b>
<b>Changes in Working Capital Items:</b>		
Accounts receivable	\$ (454.5)	\$ (300.7)
Inventories	(4.3)	(55.1)
Accounts payable	365.1	111.1
Accrued liabilities and other	174.0	192.9
	\$ 80.3	\$ (51.8)
<b>Supplementary Disclosure:</b>		
Cash paid for interest	\$ 103.8	\$ 120.2
Cash paid for income taxes	\$ 140.5	\$ 122.4

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



**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) Stock-Based Compensation**

The Company has adopted the fair value recognition provisions of Statement of Financial Accounting Standards (“SFAS”) No. 123, “Accounting for Stock-Based Compensation,” for the year ending December 31, 2003, under which compensation cost for grants of stock appreciation rights, restricted stock, restricted stock units, performance shares and performance units (collectively, “Incentive Units”) and stock options is determined on the basis of the fair value of the Incentive Units and options at the grant date. SFAS No. 123 has been applied prospectively to all employee awards granted after January 1, 2003, as permitted under the provisions of SFAS No. 148, “Accounting for Stock-Based Compensation — Transition and Disclosure.” The effect on net income (loss) and net income (loss) per share, as if the fair value based method had been applied to all outstanding and unvested awards in each period, is shown below (in millions, except per share data):

	Three Months Ended		Nine Months Ended	
	September 27, 2003	September 28, 2002	September 27, 2003	September 28, 2002
Net income (loss), as reported	\$ 76.1	\$ 61.6	\$ 248.1	\$ (105.0)
Add: Stock-based employee compensation expense included in reported net income (loss), net of tax	1.6	0.5	3.2	2.2
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax	(5.8)	(6.2)	(16.8)	(14.3)
Net income (loss), pro forma	<u>\$ 71.9</u>	<u>\$ 55.9</u>	<u>\$ 234.5</u>	<u>\$ (117.1)</u>
Net income (loss) per share:				
Basic — as reported	\$ 1.13	\$ 0.94	\$ 3.74	\$ (1.61)
Basic — pro forma	\$ 1.07	\$ 0.85	\$ 3.54	\$ (1.80)
Diluted — as reported	\$ 1.10	\$ 0.91	\$ 3.65	\$ (1.57)
Diluted — pro forma	\$ 1.04	\$ 0.83	\$ 3.45	\$ (1.75)

**(3) Acquisition**

During the third quarter of 2003, the Company acquired an additional 53% of the common equity of Hanyil Co., Ltd., a publicly traded supplier of automotive seats in Korea, for \$9.4 million. The Company previously held a 29% equity stake in Hanyil Co., Ltd. The acquisition was accounted for as a purchase, and accordingly, the assets purchased and liabilities assumed have been included in the consolidated balance sheet as of September 27, 2003. The operating results of the Hanyil Co., Ltd. have been included in the consolidated statements of operations since the date of acquisition. The operating results of the Company, after giving pro forma effect to this acquisition, are not materially different from reported results.

**(4) Restructuring**

In order to better align the Company’s operations and capacity in response to reductions in global automotive production volumes, the Company began to implement a restructuring plan in the fourth quarter of 2001. This restructuring plan was designed to consolidate certain operations and to improve overall efficiencies and the Company’s long-term competitive position. As of September 27, 2003, the restructuring plan was complete.

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

**(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. A summary of inventories is shown below (in millions):

	September 27, 2003	December 31, 2002
Raw materials	\$ 376.2	\$ 343.4
Work-in-process	34.8	31.7
Finished goods	101.1	114.6
Inventories	<u>\$ 512.1</u>	<u>\$ 489.7</u>

**(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):

	September 27, 2003	December 31, 2002
Land	\$ 106.5	\$ 100.2
Buildings and improvements	649.7	621.7
Machinery and equipment	2,387.0	2,193.0
Construction in progress	21.7	34.5
Total property, plant and equipment	<u>3,164.9</u>	<u>2,949.4</u>
Less — accumulated depreciation	<u>(1,447.2)</u>	<u>(1,238.8)</u>
Net property, plant and equipment	<u>\$ 1,717.7</u>	<u>\$ 1,710.6</u>

**(7) Goodwill**

On January 1, 2002, the Company adopted SFAS 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) 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 operations for the nine months ended September 28, 2002.

A summary of the changes in the carrying amount of goodwill, by reportable operating segment, for the nine months ended September 27, 2003 is shown below (in millions):

	Seating	Interior	Electronic and Electrical	Total
Balance as of December 31, 2002	\$ 971.6	\$ 1,023.2	\$ 865.6	\$ 2,860.4
Foreign currency translation and other	25.4	(1.1)	12.8	37.1
Balance as of September 27, 2003	<u>\$ 997.0</u>	<u>\$ 1,022.1</u>	<u>\$ 878.4</u>	<u>\$ 2,897.5</u>

**(8) Product Liabilities**

In the event that the Company's products fail to perform as expected and such failure results in, or is alleged to result in, bodily injury and/or property damage or other losses, the Company may be subject to product liability lawsuits, warranty claims and product recalls. 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, it may be required to participate in a recall or other corrective action involving such products.

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

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

A summary of the changes in the product warranty liabilities for the nine months ended September 27, 2003 is shown below (in millions):

Balance as of December 31, 2002	\$ 36.9
Expense, net	3.3
Settlements	(1.3)
Foreign currency translation and other	0.8
	<hr/>
Balance as of September 27, 2003	\$ 39.7
	<hr/>

**(9) Long-Term Debt**

A summary of long-term debt and the related weighted average interest rates, including the effect of hedging activities described in Note 14, "Financial Instruments," is shown below (in millions):

	September 27, 2003		December 31, 2002	
	Long-Term Debt	Weighted Average Interest Rate	Long-Term Debt	Weighted Average Interest Rate
Credit facilities	\$ 10.5	6.90%	\$ 132.8	7.11%
Other	80.1	4.66%	80.9	4.84%
	<hr/>		<hr/>	
	90.6		213.7	
Less — current portion	(4.4)		(3.9)	
	<hr/>		<hr/>	
	86.2		209.8	
	<hr/>		<hr/>	
Zero-coupon Convertible Senior Notes, due 2022	269.9	4.75%	260.7	4.75%
8.125% Senior Notes, due 2008	286.1	8.125%	262.3	8.125%
8.11% Senior Notes, due 2009	800.0	7.70%	800.0	8.11%
7.96% Senior Notes, due 2005	600.0	6.00%	600.0	6.16%
	<hr/>		<hr/>	
	1,956.0		1,923.0	
	<hr/>		<hr/>	
Long-term debt	\$ 2,042.2		\$ 2,132.8	
	<hr/>		<hr/>	

As of September 27, 2003, the Company's primary credit facilities consisted of a \$1.7 billion amended and restated revolving credit facility, which matures on March 26, 2006; and a \$250 million revolving credit facility, which matures on May 4, 2004.

The Company's primary credit facilities contain numerous restrictive covenants relating to the maintenance of certain financial ratios and to the management and operation of the Company. The covenants include, among other restrictions, limitations on indebtedness, guarantees, mergers, acquisitions, fundamental corporate changes, asset sales, investments, loans and advances, liens, dividends and other stock payments, transactions with affiliates and optional payments and modifications of debt instruments. The senior notes also contain covenants restricting the ability of the Company and its subsidiaries to incur liens and to enter into sale and leaseback transactions and restricting the ability of the Company to consolidate with, to merge with or into or to sell or otherwise dispose of all or substantially all of its assets.

The Company's obligations under its primary credit facilities and senior notes are guaranteed, on a joint and several basis, by certain of its wholly-owned subsidiaries. See Note 16, "Supplemental Guarantor Condensed Consolidating Financial Statements."

**(10) Net Income (Loss) Per Share**

Basic net income (loss) per share is computed using the weighted average common shares outstanding during the period. Diluted net income (loss) per share is computed using the average share price during the period when calculating the dilutive effect of common stock equivalents. A summary of shares outstanding is shown below:

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

	Three Months Ended		Nine Months Ended	
	September 27, 2003	September 28, 2002	September 27, 2003	September 28, 2002
Weighted average shares outstanding	67,068,415	65,712,273	66,301,793	65,236,032
Dilutive effect of common stock equivalents	1,930,169	1,772,824	1,756,233	1,831,905
<b>Diluted shares outstanding</b>	<b>68,998,584</b>	<b>67,485,097</b>	<b>68,058,026</b>	<b>67,067,937</b>

Certain options were not included in the computation of diluted shares outstanding, as inclusion would have resulted in antidilution. A summary of these options and their exercise prices is shown below:

	Three Months Ended		Nine Months Ended	
	September 27, 2003	September 28, 2002	September 27, 2003	September 28, 2002
Antidilutive options	552,000	611,250	552,000	611,250
Exercise price	\$ 54.22	\$ 54.22	\$ 54.22	\$ 54.22

**(11) Comprehensive Income (Loss)**

Comprehensive income (loss) is defined as all changes in a Company's net assets except changes resulting from transactions with stockholders. It differs from net income (loss) in that certain items currently recorded in equity would be included in comprehensive income (loss). A summary of comprehensive income (loss) is shown below (in millions):

	Three Months Ended		Nine Months Ended	
	September 27, 2003	September 28, 2002	September 27, 2003	September 28, 2002
Net income (loss)	\$ 76.1	\$ 61.6	\$ 248.1	\$ (105.0)
Other comprehensive income (loss), net of tax:				
Derivative instruments and hedging activities	1.2	(10.1)	9.6	(30.1)
Foreign currency translation adjustment	(0.8)	(7.0)	54.5	23.1
<b>Other comprehensive income (loss)</b>	<b>0.4</b>	<b>(17.1)</b>	<b>64.1</b>	<b>(7.0)</b>
<b>Comprehensive income (loss)</b>	<b>\$ 76.5</b>	<b>\$ 44.5</b>	<b>\$ 312.2</b>	<b>\$ (112.0)</b>

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

The Company incurs pre-production engineering, research and development ("ER&D") and tooling costs related to the products produced for its customers under long-term supply agreements. The Company expenses all pre-production ER&D costs for which reimbursement is not contractually guaranteed by the customer. In addition, the Company expenses all pre-production tooling costs related to customer-owned tools for which reimbursement is not contractually guaranteed by the customer or for which the customer has not provided a noncancelable right to use the tooling. During the first nine months of 2003 and 2002, the Company capitalized \$126.1 million and \$91.1 million, respectively, of pre-production ER&D costs for which reimbursement is contractually guaranteed by the customer. In addition, during the first nine months of 2003 and 2002, the Company capitalized \$259.0 million and \$287.0 million, respectively, of pre-production tooling costs related to customer-owned tools for which reimbursement is contractually guaranteed by the customer or for which the customer has provided the Company a noncancelable right to use the tooling. During the nine months ended September 27, 2003 and September 28, 2002, the Company collected \$328.6 million and \$405.1 million, respectively, of cash related to pre-production ER&D and tooling costs previously capitalized.

Gains and losses related to pre-production ER&D and tooling projects are reviewed on an aggregated program basis. Net gains on projects are deferred and amortized over the life of the long-term supply agreement. Net losses on projects are recognized as costs are incurred in accordance with Emerging Issues Task Force No. 99-5, "Accounting for Pre-Production Costs Related to Long-Term Supply Arrangements."

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

**(13) Segment Reporting**

The Company has three reportable operating segments: seating, interior and electronic and electrical. The seating segment includes seat systems and components thereof. The interior segment includes flooring and acoustic systems, door panels, instrument panels and cockpit systems, overhead systems and other interior products. The electronic and electrical segment includes electronic and electrical distribution systems, primarily wire harnesses, wireless systems and interior control systems. The Other category includes the corporate headquarters, geographic headquarters, the technology centers and the elimination of intercompany activities, none of which meets the requirements of being classified as an operating segment.

The Company evaluates the performance of its operating segments based primarily on revenues from external customers, income before interest, other expense and income taxes and cash flow, being defined as income before interest, other expense and income taxes less capital expenditures plus depreciation. A summary of revenues from external customers and other financial information by reportable operating segment is shown below (in millions):

	Three Months Ended September 27, 2003				
	Seating	Interior	Electronic and Electrical	Other	Consolidated
Revenues from external customers	\$ 2,340.4	\$ 655.5	\$ 495.6	\$ —	\$ 3,491.5
Income before interest, other expense and income taxes	167.2	13.7	43.9	(61.7)	163.1
Depreciation	30.5	28.0	16.7	7.4	82.6
Capital expenditures	24.1	21.0	21.0	10.8	76.9
Total assets	3,061.6	1,525.9	1,188.8	2,577.1	8,353.4

	Three Months Ended September 28, 2002				
	Seating	Interior	Electronic and Electrical	Other	Consolidated
Revenues from external customers	\$ 2,264.6	\$ 608.6	\$ 464.2	\$ —	\$ 3,337.4
Income before interest, other expense and income taxes	116.0	33.1	59.1	(49.3)	158.9
Depreciation	33.7	25.8	17.1	(1.3)	75.3
Capital expenditures	26.2	24.6	18.4	1.6	70.8
Total assets	2,737.3	1,428.2	884.2	2,643.8	7,693.5

	Nine Months Ended September 27, 2003				
	Seating	Interior	Electronic and Electrical	Other	Consolidated
Revenues from external customers	\$ 7,861.9	\$ 2,048.1	\$ 1,581.4	\$ —	\$ 11,491.4
Income before interest, other expense and income taxes	500.6	64.4	146.6	(174.9)	536.7
Depreciation	95.7	80.3	50.7	8.0	234.7
Capital expenditures	54.7	78.7	65.1	15.7	214.2
Total assets	3,061.6	1,525.9	1,188.8	2,577.1	8,353.4

	Nine Months Ended September 28, 2002				
	Seating	Interior	Electronic and Electrical	Other	Consolidated
Revenues from external customers	\$ 7,254.9	\$ 1,905.0	\$ 1,504.3	\$ —	\$ 10,664.2
Income before interest, other expense and income taxes	357.1	107.0	173.1	(140.9)	496.3
Depreciation	100.4	74.1	50.0	(1.5)	223.0
Capital expenditures	58.8	57.8	53.3	3.4	173.3
Total assets	2,737.3	1,428.2	884.2	2,643.8	7,693.5

Income before interest, other expense and income taxes and cash flow, as defined above, are not measures of performance determined in accordance with generally accepted accounting principles in the United States and is not intended as a measure of profitability or liquidity. A reconciliation of consolidated income before interest, other expense and income taxes to income before provision for income taxes and cumulative effect of a change in accounting principle is shown below (in millions):

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

	Three Months Ended		Nine Months Ended	
	September 27, 2003	September 28, 2002	September 27, 2003	September 28, 2002
Income before interest, other expense and income taxes	\$ 163.1	\$ 158.9	\$ 536.7	\$ 496.3
Interest expense	44.0	51.6	144.7	159.2
Other expense, net	13.4	14.6	40.6	46.1
Income before provision for income taxes and cumulative effect a change in accounting principle	\$ 105.7	\$ 92.7	\$ 351.4	\$ 291.0

**(14) Financial Instruments**

Several of the Company's European subsidiaries factor their accounts receivable with financial institutions. Such receivables are factored without recourse to the Company and are excluded from accounts receivable in the consolidated balance sheets as of September 27, 2003 and December 31, 2002. The amount of factored receivables was \$120.7 million and \$160.4 million as of September 27, 2003 and December 31, 2002, respectively.

*Asset-backed Securitization Agreement*

Under an asset-backed securitization facility (the "ABS facility"), the Company and several of its U.S. subsidiaries sell certain accounts receivable to a wholly-owned, consolidated, bankruptcy-remote special purpose corporation (Lear ASC Corporation). In turn, Lear ASC Corporation transfers undivided interests in up to \$200 million of the receivables to bank-sponsored commercial-paper conduits. In November 2003, the ABS facility was amended to extend the expiration date to November 2004. As of September 27, 2003, the amount transferred to the conduits was \$50.5 million. This amount is excluded from accounts receivable in the accompanying consolidated balance sheet as of September 27, 2003. A discount on the sale of receivables of \$0.5 million and \$1.4 million was recognized in the three months ended September 27, 2003 and September 28, 2002, respectively, and a discount on the sale of receivables of \$2.0 million and \$4.2 million was recognized in the nine months ended September 27, 2003 and September 28, 2002, respectively. This discount is reflected in other expense, net in the accompanying consolidated statements of operations.

The Company retains a subordinated ownership interest in the pool of receivables sold to Lear ASC Corporation. As of September 27, 2003, \$472.6 million had been transferred to Lear ASC Corporation, including \$422.1 million of retained interests included in accounts receivable in the consolidated balance sheet as of September 27, 2003, which serve as credit enhancement for the facility. The Company continues to service the transferred receivables for an annual servicing fee. The conduit investors and Lear ASC Corporation have no recourse to the Company or its subsidiaries.

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

	Three Months Ended		Nine Months Ended	
	September 27, 2003	September 28, 2002	September 27, 2003	September 28, 2002
Repayments of securitizations	\$ (23.1)	\$ (18.0)	\$ (138.5)	\$ (3.2)
Collections reinvested in securitizations	1,092.1	1,105.1	3,472.9	3,349.2
Servicing fees received	1.2	1.3	3.9	4.1

*Derivative Instruments and Hedging Activities*

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

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

an unrecognized firm commitment. As of September 27, 2003, contracts representing \$954.1 million of notional amount were outstanding with maturities of less than six months. As of September 27, 2003, the fair value of these contracts was approximately \$(7.1) million. Forward foreign exchange, futures and option contracts are accounted for as cash flow hedges when the hedged item is a forecasted transaction or the variability of cash flows to be paid or received relates to a recognized asset or liability. As of September 27, 2003, contracts representing \$875.4 million of notional amount were outstanding with maturities of less than two years. As of September 27, 2003, the fair value of these contracts was approximately \$(14.1) million.

Interest rate swap contracts — The Company uses interest rate swap contracts to manage its exposure to fluctuations in interest rates. Interest rate swap contracts which fix the interest payments of certain variable rate debt instruments are accounted for as cash flow hedges. Interest rate swap contracts which hedge the change in fair market value of certain fixed rate debt instruments are accounted for as fair value hedges. As of September 27, 2003, contracts representing \$921.7 million of notional amount were outstanding with maturity dates of December 2003 through May 2009. Of these contracts, \$421.7 million swap variable rate debt for fixed rate debt and \$500.0 million swap fixed rate debt for variable rate debt. The fair value of these interest rate swap contracts is subject to changes in value due to changes in interest rates. As of September 27, 2003, the fair value of these interest rate swap contracts was approximately \$(2.5) million.

As of September 27, 2003 and December 31, 2002, net losses of approximately \$16.9 million and \$26.5 million, respectively, related to derivative instruments and hedging activities were recorded in accumulated other comprehensive loss. As of September 27, 2003, all cash flow hedges were scheduled to mature within two years, all fair value hedges of the Company's fixed rate debt instruments were scheduled to mature within 68 months, and all fair value hedges of the Company's foreign exchange exposure were scheduled to mature within six months. During the twelve month period ending October 2, 2004, the Company expects to reclassify into earnings net losses of approximately \$15.5 million recorded in accumulated other comprehensive loss. Such losses will be reclassified at the time the underlying hedged transactions are realized. During the three and nine month periods ended September 27, 2003 and September 28, 2002, amounts recognized in the consolidated statements of operations related to changes in the fair value of cash flow and fair value hedges excluded from the effectiveness assessments and the ineffective portion of changes in the fair value of cash flow and fair value hedges were not material.

Non-U.S. dollar financing transactions — The Company has designated its Euro-denominated 8.125% senior notes, due 2008 (Note 9, "Long-Term Debt") as a net investment hedge of long-term investments in its Euro-functional subsidiaries. As of September 27, 2003, the amount recorded in cumulative translation adjustment related to the effective portion of the net investment hedge of foreign operations was approximately \$(62.3) million.

**(15) Accounting Pronouncements**

Derivative Instruments and Hedging Activities — The Financial Accounting Standards Board ("FASB") has issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," the provisions of which apply to contracts entered into or modified after June 30, 2003 and to hedging relationships designated after June 30, 2003. SFAS No. 149 amends and clarifies the accounting for derivative instruments and hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and SFAS No. 138. The effects of adoption were not significant.

Financial Instruments — The FASB has issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity," the provisions of which apply to financial instruments issued or modified after May 31, 2003 and to all other instruments at the beginning of the first interim period beginning after June 15, 2003. This statement requires liability recognition and fair value measurement for certain financial instruments. Although the Company has interests in certain consolidated joint ventures of limited duration, the effects of adoption were not significant.

Variable Interest Entities — The FASB has issued Interpretation ("FIN") No. 46, "Consolidation of Variable Interest Entities," the provisions of which apply immediately to any variable interest entity created after January 31, 2003 and apply in the first period ending after December 15, 2003 to any variable interest entity created prior to February 1, 2003. The interpretation requires the consolidation of a variable interest entity by its primary beneficiary and may require the consolidation of a portion of a variable interest entity's assets or liabilities under certain circumstances. The Company is evaluating the impact of adopting FIN No. 46. Based on the size of the entities under evaluation, the Company does not expect the adoption of FIN No. 46 to have a material impact on its financial statements.

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

**(16) Supplemental Guarantor Condensed Consolidating Financial Statements**

September 27, 2003

	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
(Unaudited)					
<b>ASSETS</b>					
<i>CURRENT ASSETS:</i>					
Cash and cash equivalents	\$ 0.4	\$ 7.1	\$ 95.0	\$ —	\$ 102.5
Accounts receivable	32.8	463.6	1,756.2	—	2,252.6
Inventories	10.3	172.8	329.0	—	512.1
Recoverable customer engineering and tooling	(10.0)	104.3	90.8	—	185.1
Other	166.5	35.8	42.3	—	244.6
<b>Total current assets</b>	<b>200.0</b>	<b>783.6</b>	<b>2,313.3</b>	<b>—</b>	<b>3,296.9</b>
<i>LONG-TERM ASSETS:</i>					
Property, plant and equipment, net	102.7	752.1	862.9	—	1,717.7
Goodwill, net	100.2	1,906.8	890.5	—	2,897.5
Investment in subsidiaries	2,021.7	1,214.6	—	(3,236.3)	—
Other	114.3	73.1	253.9	—	441.3
<b>Total long-term assets</b>	<b>2,338.9</b>	<b>3,946.6</b>	<b>2,007.3</b>	<b>(3,236.3)</b>	<b>5,056.5</b>
	<b>\$ 2,538.9</b>	<b>\$ 4,730.2</b>	<b>\$ 4,320.6</b>	<b>\$ (3,236.3)</b>	<b>\$ 8,353.4</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
<i>CURRENT LIABILITIES:</i>					
Short-term borrowings	\$ —	\$ 0.3	\$ 11.0	\$ —	\$ 11.3
Accounts payable and drafts	155.8	751.3	1,497.7	—	2,404.8
Accrued liabilities	226.7	479.8	488.5	—	1,195.0
Current portion of long-term debt	0.9	0.7	2.8	—	4.4
<b>Total current liabilities</b>	<b>383.4</b>	<b>1,232.1</b>	<b>2,000.0</b>	<b>—</b>	<b>3,615.5</b>
<i>LONG-TERM LIABILITIES:</i>					
Long-term debt	2,010.3	13.1	18.8	—	2,042.2
Intercompany accounts, net	(2,093.6)	1,986.1	107.5	—	—
Other	208.5	209.4	247.5	—	665.4
<b>Total long-term liabilities</b>	<b>125.2</b>	<b>2,208.6</b>	<b>373.8</b>	<b>—</b>	<b>2,707.6</b>
<i>STOCKHOLDERS' EQUITY</i>	2,030.3	1,289.5	1,946.8	(3,236.3)	2,030.3
	<b>\$ 2,538.9</b>	<b>\$ 4,730.2</b>	<b>\$ 4,320.6</b>	<b>\$ (3,236.3)</b>	<b>\$ 8,353.4</b>



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

**(16) Supplemental Guarantor Condensed Consolidating Financial Statements — (continued)**

	December 31, 2002				
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
<b>ASSETS</b>					
<i>CURRENT ASSETS:</i>					
Cash and cash equivalents	\$ 0.5	\$ 3.0	\$ 88.2	\$ —	\$ 91.7
Accounts receivable	26.2	335.7	1,146.1	—	1,508.0
Inventories	11.0	171.9	306.8	—	489.7
Recoverable customer engineering and tooling	(19.1)	77.7	94.6	—	153.2
Other	172.4	56.9	35.8	—	265.1
Total current assets	191.0	645.2	1,671.5	—	2,507.7
<i>LONG-TERM ASSETS:</i>					
Property, plant and equipment, net	105.9	758.1	846.6	—	1,710.6
Goodwill, net	100.2	1,907.0	853.2	—	2,860.4
Investment in subsidiaries	2,351.2	1,046.6	—	(3,397.8)	—
Other	115.9	74.7	213.7	—	404.3
Total long-term assets	2,673.2	3,786.4	1,913.5	(3,397.8)	4,975.3
	<u>\$ 2,864.2</u>	<u>\$ 4,431.6</u>	<u>\$ 3,585.0</u>	<u>\$ (3,397.8)</u>	<u>\$ 7,483.0</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
<i>CURRENT LIABILITIES:</i>					
Short-term borrowings	\$ 4.5	\$ 0.3	\$ 32.5	\$ —	\$ 37.3
Accounts payable and drafts	160.2	654.2	1,152.0	—	1,966.4
Accrued liabilities	187.2	417.0	433.4	—	1,037.6
Current portion of long-term debt	0.1	0.3	3.5	—	3.9
Total current liabilities	352.0	1,071.8	1,621.4	—	3,045.2
<i>LONG-TERM LIABILITIES:</i>					
Long-term debt	2,100.0	12.4	20.4	—	2,132.8
Intercompany accounts, net	(1,461.0)	1,882.6	(421.6)	—	—
Other	210.9	213.3	218.5	—	642.7
Total long-term liabilities	849.9	2,108.3	(182.7)	—	2,775.5
<i>STOCKHOLDERS' EQUITY</i>	1,662.3	1,251.5	2,146.3	(3,397.8)	1,662.3
	<u>\$ 2,864.2</u>	<u>\$ 4,431.6</u>	<u>\$ 3,585.0</u>	<u>\$ (3,397.8)</u>	<u>\$ 7,483.0</u>

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

**(16) Supplemental Guarantor Condensed Consolidating Financial Statements — (continued)****Three Months Ended September 27, 2003**

	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
			(Unaudited)		
Net sales	\$ 231.0	\$ 1,738.0	\$ 2,064.4	\$ (541.9)	\$ 3,491.5
Cost of sales	236.1	1,561.6	1,932.0	(541.9)	3,187.8
Selling, general and administrative expenses	31.5	52.2	56.9	—	140.6
Interest expense	16.1	20.1	7.8	—	44.0
Intercompany (income) expense, net	(128.9)	82.8	46.1	—	—
Other (income) expense, net	(1.4)	8.9	5.9	—	13.4
Income before provision (credit) for income taxes and equity in net income of subsidiaries	77.6	12.4	15.7	—	105.7
Provision (credit) for income taxes	11.0	21.9	(3.3)	—	29.6
Equity in net income of subsidiaries	(9.5)	(23.6)	—	33.1	—
Net income	\$ 76.1	\$ 14.1	\$ 19.0	\$ (33.1)	\$ 76.1

**Three Months Ended September 28, 2002**

	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
			(Unaudited)		
Net sales	\$ 238.4	\$ 1,791.8	\$ 1,848.7	\$ (541.5)	\$ 3,337.4
Cost of sales	230.4	1,622.3	1,741.9	(541.5)	3,053.1
Selling, general and administrative expenses	25.5	50.6	49.3	—	125.4
Interest expense	19.8	20.6	11.2	—	51.6
Intercompany (income) expense, net	(103.5)	98.0	5.5	—	—
Other (income) expense, net	5.6	10.3	(1.3)	—	14.6
Income (loss) before provision for income taxes and equity in net (income) loss of subsidiaries	60.6	(10.0)	42.1	—	92.7
Provision for income taxes	6.6	18.1	6.4	—	31.1
Equity in net (income) loss of subsidiaries	(7.6)	36.7	—	(29.1)	—
Net income (loss)	\$ 61.6	\$ (64.8)	\$ 35.7	\$ 29.1	\$ 61.6

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

**(16) Supplemental Guarantor Condensed Consolidating Financial Statements — (continued)**

Nine Months Ended September 27, 2003

	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
			(Unaudited)		
Net sales	\$ 769.9	\$ 5,764.5	\$ 6,735.6	\$ (1,778.6)	\$ 11,491.4
Cost of sales	774.7	5,198.9	6,330.9	(1,778.6)	10,525.9
Selling, general and administrative expenses	98.0	142.9	187.9	—	428.8
Interest expense	54.0	50.5	40.2	—	144.7
Intercompany (income) expense, net	(322.3)	258.9	63.4	—	—
Other expense, net	1.4	28.4	10.8	—	40.6
Income before provision (credit) for income taxes and equity in net income of subsidiaries	164.1	84.9	102.4	—	351.4
Provision (credit) for income taxes	27.5	91.6	(15.8)	—	103.3
Equity in net income of subsidiaries	(111.5)	(58.8)	—	170.3	—
Net income	<u>\$ 248.1</u>	<u>\$ 52.1</u>	<u>\$ 118.2</u>	<u>\$ (170.3)</u>	<u>\$ 248.1</u>

Nine Months Ended September 28, 2002

	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
			(Unaudited)		
Net sales	\$ 779.3	\$ 5,707.6	\$ 5,873.9	\$ (1,696.6)	\$ 10,664.2
Cost of sales	777.0	5,169.3	5,528.3	(1,696.6)	9,778.0
Selling, general and administrative expenses	85.7	144.6	159.6	—	389.9
Interest expense	66.9	58.7	33.6	—	159.2
Intercompany (income) expense, net	(337.6)	296.4	41.2	—	—
Other expense, net	17.5	26.5	2.1	—	46.1
Income before provision for income taxes, equity in net loss of subsidiaries and cumulative effect of a change in accounting principle	169.8	12.1	109.1	—	291.0
Provision for income taxes	14.4	39.0	44.1	—	97.5
Equity in net loss of subsidiaries	260.4	10.7	—	(271.1)	—
Income (loss) before cumulative effect of a change in accounting principle	(105.0)	(37.6)	65.0	271.1	193.5
Cumulative effect of a change in accounting principle, net of tax	—	181.2	117.3	—	298.5
Net loss	<u>\$ (105.0)</u>	<u>\$ (218.8)</u>	<u>\$ (52.3)</u>	<u>\$ 271.1</u>	<u>\$ (105.0)</u>

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

**(16) Supplemental Guarantor Condensed Consolidating Financial Statements — (continued)**

	Nine Months Ended September 27, 2003				
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
Net cash provided by operating activities	\$ 252.7	\$ 118.9	\$ (12.0)	\$ —	\$ 359.6
<b>Cash Flows from Investing Activities:</b>			(Unaudited)		
Additions to property, plant and equipment	(20.3)	(72.3)	(121.6)	—	(214.2)
Cost of acquisitions, net of cash acquired	(1.8)	—	(10.6)	—	(12.4)
Other, net	—	9.6	21.9	—	31.5
Net cash used in investing activities	(22.1)	(62.7)	(110.3)	—	(195.1)
<b>Cash Flows from Financing Activities:</b>					
Long-term debt repayments, net	(121.9)	2.2	(6.4)	—	(126.1)
Short-term debt repayments, net	(4.5)	—	(23.9)	—	(28.4)
Proceeds from sale of common stock	42.5	—	—	—	42.5
Purchase of treasury stock	(1.1)	—	—	—	(1.1)
Decrease in drafts	(27.5)	7.7	(13.7)	—	(33.5)
Change in intercompany accounts	(118.2)	(45.2)	163.4	—	—
Net cash used in financing activities	(230.7)	(35.3)	119.4	—	(146.6)
Effect of foreign currency translation	—	(16.8)	9.7	—	(7.1)
<b>Net Change in Cash and Cash Equivalents</b>	(0.1)	4.1	6.8	—	10.8
<b>Cash and Cash Equivalents at Beginning of Period</b>	0.5	3.0	88.2	—	91.7
<b>Cash and Cash Equivalents at End of Period</b>	\$ 0.4	\$ 7.1	\$ 95.0	\$ —	\$ 102.5
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	Nine Months Ended September 28, 2002				
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
Net cash provided by operating activities	\$ 206.5	\$ 90.6	\$ 73.0	\$ —	\$ 370.1
<b>Cash Flows from Investing Activities:</b>			(Unaudited)		
Additions to property, plant and equipment	(13.2)	(85.3)	(74.8)	—	(173.3)
Cost of acquisitions, net of cash acquired	(2.8)	—	(7.9)	—	(10.7)
Other, net	(26.8)	31.9	12.9	—	18.0
Net cash used in investing activities	(42.8)	(53.4)	(69.8)	—	(166.0)
<b>Cash Flows from Financing Activities:</b>					
Issuance of senior notes	250.3	—	—	—	250.3
Long-term repayments, net	(530.1)	(4.2)	(4.1)	—	(538.4)
Short-term borrowings, net	30.0	0.5	(8.9)	—	21.6
Proceeds from sale of common stock	47.4	—	—	—	47.4
Increase in drafts	44.7	(1.4)	(13.7)	—	29.6
Other, net	0.1	—	0.5	—	0.6
Change in intercompany accounts	(3.6)	(43.1)	46.7	—	—
Net cash used in financing activities	(161.2)	(48.2)	20.5	—	(188.9)
Effect of foreign currency translation	—	7.1	(23.5)	—	(16.4)
<b>Net Change in Cash and Cash Equivalents</b>	2.5	(3.9)	0.2	—	(1.2)
<b>Cash and Cash Equivalents at Beginning of Period</b>	(2.1)	6.8	82.9	—	87.6
<b>Cash and Cash Equivalents at End of Period</b>	\$ 0.4	\$ 2.9	\$ 83.1	\$ —	\$ 86.4
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>



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

**(16) Supplemental Guarantor Condensed Consolidating Financial Statements — (continued)**

Basis of Presentation — Certain of the Company's wholly-owned subsidiaries (the "Guarantors") have unconditionally fully guaranteed, on a joint and several basis, the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all of the Company's obligations under the primary credit facilities and the indentures governing the Company's senior notes, including the Company's obligations to pay principal, premium, if any, and interest with respect to the senior notes. The senior notes consist of \$600 million aggregate principal amount of 7.96% senior notes due May 15, 2005, \$800 million aggregate principal amount of 8.11% senior notes due May 15, 2009, 250 million EUR aggregate principal amount of 8.125% senior notes due 2008 and \$640 million aggregate principal amount at maturity of zero-coupon convertible senior notes due 2022. The Guarantors under the indentures are Lear Operations Corporation, Lear Corporation Automotive Holdings (formerly, UT Automotive), Lear Seating Holdings Corp. #50, Lear Corporation EEDS and Interiors, Lear Corporation Automotive Systems, Lear Technologies, L.L.C., Lear Midwest Automotive, Limited Partnership, Lear Automotive (EEDS) Spain S.L. and Lear Corporation Mexico, S.A. de C.V. On October 31, 2003, Lear Corporation Automotive Holdings was merged with and into Lear Corporation EEDS and Interiors. In lieu of providing separate unaudited financial statements for the Guarantors, the Company has included the unaudited supplemental guarantor condensed consolidating financial statements above. 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.

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

Selling and Administrative Expenses — The Parent allocated \$24.1 million and \$29.9 million in the three months ended September 27, 2003 and September 28, 2002, respectively, and \$70.0 million and \$66.5 million in the nine months ended September 27, 2003 and September 28, 2002, respectively, of corporate selling and administrative expenses to its operating subsidiaries. The allocations were based on various factors, which estimate usage of particular corporate functions, and in certain instances, other relevant factors, such as the revenues or the number of employees of the Company's subsidiaries.

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

	September 27, 2003	December 31, 2002
Senior notes	\$ 1,956.0	\$ 1,923.0
Credit facilities	10.5	132.8
Other long-term debt	58.5	57.0
	2,025.0	2,112.8
Less — current portion	(1.6)	(0.4)
	\$ 2,023.4	\$ 2,112.4

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

For a more detailed description of the above indebtedness, see Note 9, "Long-Term Debt."

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**ITEM 2 — MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**OVERVIEW**

We are the world’s largest automotive interior systems supplier based on net sales. Our net sales have grown rapidly from \$7.3 billion for the year ended December 31, 1997 to \$14.4 billion for the year ended December 31, 2002. The major sources of this growth have been new program awards and the implementation of a strategic acquisition plan to capitalize on supplier consolidation and globalization trends in the automotive industry. Our acquisitions have accounted for approximately two-thirds of our net sales growth over the past five years. Our customers are the major automotive manufacturers, including General Motors, Ford, DaimlerChrysler, BMW, PSA, Fiat, Volkswagen, Renault/Nissan, Toyota and Subaru.

Demand for our products is directly related to automotive vehicle production. Automotive sales and production are cyclical and can be affected by numerous factors, including general economic conditions, labor relations issues and regulatory factors. In the third quarter of 2003, automotive production decreased by 5% in both North America and Western Europe as compared to the third quarter of 2002. Automotive production by General Motors, Ford and DaimlerChrysler in North America, in the aggregate, declined by approximately 10%. In addition, production on several of our key platforms in Western Europe declined by more than the industry average.

In addition to overall automotive vehicle production, our operating results are significantly impacted by the commercial success of the vehicle platforms for which we supply products and the market share of our customers. General Motors and Ford and their respective affiliates accounted for approximately 60% of our net sales in 2002. A loss of business with respect to a significant vehicle model could materially and negatively affect our operating results.

Our customers require us to reduce costs and, at the same time, assume greater responsibility for the design, development, engineering and integration of interior products. Our profitability is dependent on our ability to implement product cost reductions in either our processes or those of our customers or to obtain similar reductions from our suppliers. Our profitability is also dependent on our ability to efficiently control program launch costs as well as changes in the timing of program launches. Further, we continually evaluate alternatives with respect to non-competitive facilities, which may include realignment of our existing manufacturing capacity, plant shutdowns or similar actions.

For a more detailed description of other factors that have had, or may in the future have, a significant impact on our business, financial condition or results of operations, please refer to “ — Forward-Looking Statements” and Item 7, “ — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2002.

**RESULTS OF OPERATIONS**

**Three Months Ended September 27, 2003 vs. Three Months Ended September 28, 2002**

Net sales were \$3.5 billion in the third quarter of 2003 as compared to \$3.3 billion in the third quarter of 2002, an increase of \$154 million or 4.6%. New business, net of selling price reductions, and net foreign exchange rate fluctuations increased net sales by \$193 million and \$184 million, respectively. These increases were partially offset by the impact of lower vehicle production volumes which, combined with changes in platform and product mix, negatively impacted net sales by \$126 million in North America and by \$94 million in Western Europe.

Gross profit and gross margin were \$304 million and 8.7% in the quarter ended September 27, 2003 as compared to \$284 million and 8.5% in the quarter ended September 28, 2002. The positive impact of new business, net foreign exchange rate fluctuations and the benefit from our productivity initiatives and other efficiencies contributed \$11 million, \$13 million and \$24 million, respectively, to the increase in gross profit. These increases were partially offset by the negative impact of lower vehicle production volumes, changes in platform and product mix and selling price reductions, which collectively reduced gross profit by \$29 million.

Selling, general and administrative expenses, including research and development, were \$141 million in the three months ended September 27, 2003 as compared to \$125 million in the three months ended September 28, 2002. As a percentage of net sales, selling, general and administrative expenses were 4.0% and 3.8% in the third quarters of 2003 and 2002, respectively. Increased spending

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related to our investment in new programs and net foreign exchange rate fluctuations contributed \$8 million and \$7 million, respectively, to the increase in selling, general and administrative expenses.

Interest expense was \$44 million in the third quarter of 2003 as compared to \$52 million in the third quarter of 2002. Our reduced debt balance, hedging activities and lower interest rates favorably impacted interest expense by approximately \$4 million, \$4 million and \$2 million, respectively, and were partially offset by net foreign exchange rate fluctuations.

Other expense, which includes state and local taxes, foreign exchange gains and losses, minority interest in consolidated subsidiaries, equity in net income of affiliates, gains and losses on the sales of fixed assets and other miscellaneous income and expense, was \$13 million in the three months ended September 27, 2003 as compared to \$15 million in the three months ended September 28, 2002.

The provision for income taxes was \$30 million, representing an effective tax rate of 28%, in the third quarter of 2003 as compared to \$31 million, representing an effective tax rate of 33.5%, in the same quarter a year ago. The decrease in the effective tax rate is primarily the result of our overall tax planning strategy as well as the mix of our earnings outside the United States. The effective tax rates for the third quarters of 2003 and 2002 approximated the United States Federal statutory income tax rate of 35%, adjusted for income taxes on foreign earnings, losses and remittances, valuation adjustments, research and development credits and other items.

Net income in the third quarter of 2003 was \$76 million, or \$1.10 per diluted share, as compared to \$62 million, or \$0.91 per diluted share, in the third quarter of 2002.

### *Reportable Operating Segments*

The financial information presented below is for our three reportable operating segments for the periods presented. These segments are: seating, which includes seat systems and the components thereof; interior, which includes flooring and acoustic systems, door panels, instrument panels and cockpit systems, overhead systems and other interior products; and electronic and electrical, which includes electronic and electrical distribution systems, primarily wire harnesses, wireless systems and interior power control systems. Financial measures regarding each segment's income before interest, other expense and income taxes and income before interest, other expense and income taxes divided by net sales ("margin") are not measures of performance under accounting principles generally accepted in the United States ("GAAP"). Such measures are presented because we evaluate the performance of our reportable operating segments, in part, based on income before interest, other expense and income taxes. These measures should not be considered in isolation or as a substitute for net income, net cash provided by operating activities or other income or cash flow statement data prepared in accordance with GAAP, or as measures of profitability or liquidity. In addition, these measures, as we determine them, may not be comparable to related or similarly titled measures reported by other companies. For a reconciliation of consolidated income before interest, other expense and income taxes to income before provision for income taxes and cumulative effect of a change in accounting principle, refer to Note 13, "Segment Reporting."

#### *Seating*

Seating net sales were unchanged at \$2.3 billion in the third quarters of 2003 and 2002. New business, net of selling price reductions, and net foreign exchange rate fluctuations positively impacted net sales by \$20 million and \$139 million, respectively. These increases were partially offset by the impact of lower vehicle production volumes which, combined with the changes in platform and product mix, negatively impacted net sales by \$83 million. Income before interest, other expense and income taxes and the related margin on net sales were \$167 million and 7.1% in the quarter ended September 27, 2003 as compared to \$116 million and 5.1% in the quarter ended September 28, 2002. The positive impact of new business, net foreign exchange rate fluctuations and the benefit from our productivity initiatives and other efficiencies contributed \$5 million, \$5 million and \$14 million, respectively, to the increase in income before interest, other expense and income taxes. Income before interest, other expense and income taxes also benefited from favorable platform and product mix which, partially offset by the impact of lower vehicle production volumes and selling price reductions, contributed \$27 million to the increase.

#### *Interior*

Interior net sales were \$656 million in the third quarter of 2003 as compared to \$609 million in the third quarter of 2002, an increase of \$47 million or 7.7%. New business, net of selling price reductions, and net foreign exchange rate fluctuations positively impacted net sales by \$104 million and \$17 million, respectively. These increases were partially offset by the impact of lower vehicle production volumes which, combined with changes in platform and product mix, negatively impacted net sales by \$74 million.



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Income before interest, other expense and income taxes and the related margin on net sales were \$14 million and 2.1% in the quarter ended September 27, 2003 as compared to \$33 million and 5.4% in the quarter ended September 28, 2002. The impact of lower vehicle production volumes, changes in product and platform mix and selling price reductions collectively reduced income before interest, other expense and income taxes by \$31 million. This decrease was partially offset by the positive impact of new business and the benefit from our productivity initiatives and other efficiencies, which contributed \$2 million and \$11 million, respectively, to income before interest, other expense and income taxes.

### Electronic and Electrical

Electronic and electrical net sales were \$496 million in the third quarter of 2003 as compared to \$464 million in the third quarter of 2002, an increase of \$31 million or 6.8%. New business, net of selling price reductions, and net foreign exchange rate fluctuations positively impacted net sales by \$69 million and \$28 million, respectively. These increases were partially offset by the impact of lower vehicle production volumes which, combined with changes in platform and product mix, negatively impacted net sales by \$66 million. Income before interest, other expense and income taxes and the related margin on net sales were \$44 million and 8.9% in the quarter ended September 27, 2003 as compared to \$59 million and 12.7% in the quarter ended September 28, 2002. The impact of lower vehicle production, changes in product and platform mix and selling price reductions collectively reduced income before interest, other expense and income taxes by \$25 million. This decrease was partially offset by the positive impact of new business, net foreign exchange rate fluctuations and the benefit from our productivity initiatives and other efficiencies, which contributed \$4 million, \$3 million and \$3 million, respectively, to income before interest, other expense and income taxes.

### Nine Months Ended September 27, 2003 vs. Nine Months Ended September 28, 2002

Net sales were \$11.5 billion in the first nine months of 2003 as compared to \$10.7 billion in the first nine months of 2002, an increase of \$827 million or 7.8%. New business, net of selling price reductions, and net foreign exchange rate fluctuations increased net sales by \$733 million and \$700 million, respectively. These increases were partially offset by the impact of lower vehicle production volumes which, combined with changes in platform and product mix, negatively impacted net sales by \$256 million in North America and by \$348 million in Western Europe.

Gross profit and gross margin were \$966 million and 8.4% in the nine months ended September 27, 2003 as compared to \$886 million and 8.3% in the nine months ended September 28, 2002. The positive impact of new business, net foreign exchange rate fluctuations and the benefit from our productivity initiatives and other efficiencies contributed \$45 million, \$40 million and \$70 million, respectively, to the increase in gross profit. These increases were partially offset by the negative impact of lower vehicle production volumes, changes in platform and product mix and selling price reductions, which collectively reduced gross profit by \$76 million.

Selling, general and administrative expenses, including research and development, were \$429 million in the first nine months of 2003 as compared to \$390 million in the first nine months of 2002. As a percentage of net sales, selling, general and administrative expenses were 3.7% in each of the nine month periods ended September 27, 2003 and September 28, 2002. Increased marketing efforts related to Asian automotive manufacturers, increased spending related to our investment in new programs and net foreign exchange rate fluctuations contributed \$7 million, \$8 million and \$23 million, respectively, to the increase in selling, general and administrative expenses.

Interest expense was \$145 million in the nine months ended September 27, 2003 as compared to \$159 million in the nine months ended September 28, 2002. Our reduced debt balance and hedging activities favorably impacted interest expense by \$10 million and \$9 million, respectively, and were partially offset by net foreign exchange rate fluctuations.

Other expense, which includes state and local taxes, foreign exchange gains and losses, minority interest in consolidated subsidiaries, equity in net income of affiliates, gains and losses on the sales of fixed assets and other miscellaneous expenses, was \$41 million in the first nine months of 2003 as compared to \$46 million in the first nine months of 2002. A decrease in state and local taxes and minority interest in consolidated subsidiaries was partially offset by an increase in losses on the sales of fixed assets.

The provision for income taxes was \$103 million, representing an effective tax rate of 29.4%, in the nine months ended September 27, 2003 as compared to \$98 million, representing an effective tax rate of 33.5%, in the same period a year ago. The decrease in the effective tax rate is primarily the result of our overall tax planning strategy as well as the mix of our earnings outside the United States. The effective tax rates for the first nine months 2003 and 2002 approximated the United States Federal statutory income tax

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rate of 35%, adjusted for income taxes on foreign earnings, losses and remittances, valuation adjustments, research and development credits and other items.

Net income (loss) in the first nine months of 2003 was \$248 million, or \$3.65 per diluted share, as compared to \$(105) million, or \$(1.57) per diluted share, in the first nine months of 2002. On January 1, 2002, we adopted the provisions of Statement of Financial Accounting Standards (“SFAS”) No. 142, “Goodwill and Other Intangible Assets,” under which goodwill is no longer amortized but is subject to annual impairment analysis. As a result of our initial impairment analysis, we recorded a cumulative effect of a change in accounting principle related to impairment charges of \$311 million (\$299 million after tax) as of January 1, 2002. Income before cumulative effect of a change in accounting principle in the first nine months of 2002 was \$194 million, or \$2.89 per diluted share.

### *Reportable Operating Segments*

#### *Seating*

Seating net sales were \$7.9 billion in the nine months ended September 27, 2003 as compared to \$7.3 billion in the nine months ended September 28, 2002, an increase of \$607 million or 8.4%. New business, net of selling price reductions, and net foreign exchange rate fluctuations positively impacted net sales by \$339 million and \$525 million, respectively. These increases were partially offset by the impact of lower vehicle production volumes which, combined with changes in platform and product mix, reduced net sales by \$258 million. Income before interest, other expense and income taxes and the related margin on net sales were \$501 million and 6.4% in the first nine months of 2003 as compared to \$357 million and 4.9% in the first nine months of 2002. The positive impact of new business, net foreign exchange rate fluctuations and the benefit from our productivity initiatives and other efficiencies contributed \$27 million, \$18 million and \$44 million, respectively, to the increase in income before interest, other expense and income taxes. Income before interest, other expense and income taxes also benefited from favorable platform and product mix which, offset by the impact of lower vehicle production volumes and selling price reductions, contributed \$54 million to the increase.

#### *Interior*

Interior net sales were \$2.0 billion in the nine months ended September 27, 2003 as compared to \$1.9 billion in the nine months ended September 28, 2002, an increase of \$143 million or 7.5%. New business, net of selling price reductions, and net foreign exchange rate fluctuations positively impacted net sales by \$221 million and \$66 million, respectively. These increases were partially offset by the impact of lower vehicle production volumes which, combined with changes in platform and product mix, reduced net sales by \$144 million. Income before interest, other expense and income taxes and the related margin on net sales were \$64 million and 3.1% in the first nine months of 2003 as compared to \$107 million and 5.6 % in the first nine months of 2002. The impact of lower vehicle production volumes, changes in platform and product mix and selling price reductions collectively reduced income before interest, other expense and income taxes by \$67 million. Net foreign exchange rate fluctuations also negatively impacted income before interest, other expense and income taxes by \$8 million. These decreases were partially offset by the positive impact of new business and the benefit from our productivity initiatives and other efficiencies, which contributed \$8 million and \$20 million, respectively, to income before interest, other expense and income taxes.

#### *Electronic and Electrical*

Electronic and electrical net sales were \$1.6 billion in the nine months ended September 27, 2003 as compared to \$1.5 billion in the nine months ended September 28, 2002, an increase of \$77 million or 5.1%. New business, net of selling price reductions, and net foreign exchange rate fluctuations positively impacted net sales by \$173 million and \$109 million, respectively. These increases were partially offset by the impact of lower vehicle production volumes which, combined with changes in platform and product mix, reduced net sales by \$205 million. Income before interest, other expense and income taxes and the related margin on net sales were \$147 million and 9.3% in the first nine months of 2003 as compared to \$173 million and 11.5% in the first nine months of 2002. The impact of lower vehicle production volumes, changes in platform and product mix and selling price reductions collectively reduced income before interest, other expense and income taxes by \$60 million. This decrease was partially offset by the positive impact of new business, net foreign exchange rate fluctuations and the benefit from our productivity initiatives and other efficiencies, which contributed \$10 million, \$10 million and \$15 million, respectively, to income before interest, other expense and income taxes.

### **Restructuring**

In order to better align our operations and capacity in response to reductions in global automotive production volumes, we began to implement a restructuring plan in the fourth quarter of 2001. This restructuring plan was designed to consolidate certain of our

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operations and to improve overall efficiencies and our long-term competitive position. As of September 27, 2003, the restructuring plan was complete.

### LIQUIDITY AND CAPITAL RESOURCES

Our primary liquidity needs are to fund capital expenditures, service indebtedness and support working capital requirements. Our principal sources of liquidity are cash flows from operating activities and borrowing availability under our primary credit facilities. A substantial portion of our operating income is generated by our subsidiaries. As a result, we are dependent on the earnings and cash flows of and dividends, distributions or advances from our subsidiaries to provide the funds necessary to meet our obligations. There are no significant restrictions on the ability of our subsidiaries to pay dividends or make other distributions to Lear.

#### Cash Flow

Operating activities generated \$360 million of cash in the first nine months of 2003 as compared to \$370 million of cash in the first nine months of 2002. The net change in sold accounts receivable resulted in a \$164 million decrease in cash provided by operating activities between periods. In addition, cash provided by operating activities decreased as a result of the net change in recoverable customer engineering and tooling, which was a use of \$41 million of cash in 2003 as compared to a source of \$21 million of cash in 2002. These reductions were partially offset by income before cumulative effect of a change in accounting principle, which improved by \$55 million between periods, and the net change in working capital items, which generated \$80 million of cash in the current period and used \$52 million of cash in the prior year period. Increases in accounts receivable and accounts payable were a use of \$455 million of cash and a source of \$365 million of cash, respectively, in the first nine months of 2003, reflecting the timing of customer and supplier payments. Other current assets and accrued liabilities generated \$174 million of cash in the first nine months of 2003, primarily as a result of the timing of commercial settlements and payroll-related payments, offset by the timing of domestic and foreign tax payments.

Investing activities resulted in a cash usage of \$195 million in the nine months ended September 27, 2003 as compared to \$166 million in the nine months ended September 28, 2002. This increase is primarily the result of a \$41 million increase in capital expenditures. We currently anticipate capital expenditures of approximately \$315 million in 2003 and approximately \$350 million in 2004.

Financing activities resulted in a cash usage of \$147 million in the first nine months of the current year as compared to \$189 million in the first nine months of the prior year. This decrease is primarily due to lower repayments of our long-term debt as a result of decreased utilization of our asset-backed securitization facility (the "ABS facility"), partially offset by decreases in the amounts of short-term borrowings and drafts outstanding.

#### Capitalization

We utilize uncommitted lines of credit to satisfy a portion of our short-term working capital requirements. For the nine months ended September 27, 2003 and September 28, 2002, our average outstanding unsecured short-term debt balances were \$42 million and \$47 million, respectively. Weighted average interest rates, including the effect of hedging activities, on the outstanding borrowings were 4.2% and 3.4% for the respective periods.

In addition to cash provided by operating activities, we utilize a combination of committed credit facilities and long-term notes to fund our capital expenditure and base working capital requirements. For the nine months ended September 27, 2003 and September 28, 2002, our average outstanding long-term debt balances were \$2.1 billion and \$2.3 billion, respectively. Weighted average long-term interest rates, including rates under our committed credit facilities and the effect of hedging activities, were 6.7% in each of the respective periods.

Scheduled cash interest payments on our outstanding senior notes are \$68 million in the last three months of 2003, \$135 million in 2004 and \$111 million in 2005. Accretion of interest on our zero-coupon convertible senior notes is reflected as an increase in the accreted value of the notes.

As of September 27, 2003, our primary credit facilities consisted of a \$1.7 billion amended and restated revolving credit facility, which matures on March 26, 2006; and a \$250 million revolving credit facility, which matures on May 4, 2004. As of the date of this Report, we have not sought or received a commitment from any lender to extend or replace our \$250 million revolving credit facility that matures in May 2004.

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As of September 27, 2003, we had \$11 million outstanding under our primary credit facilities and \$36 million committed under outstanding letters of credit, resulting in approximately \$1.9 billion of unused availability under our primary credit facilities. In addition to debt outstanding under our primary credit facilities, we had \$2.0 billion of debt, including short-term borrowings, outstanding as of September 27, 2003, consisting primarily of \$600 million of senior notes due 2005, \$800 million of senior notes due 2009, zero-coupon senior notes due 2022 with an accreted value of \$270 million and 250 million EUR (approximately \$286 million based on the exchange rate in effect as of September 27, 2003) of senior notes due 2008.

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

We have in place an ABS facility, which provides for maximum purchases of adjusted accounts receivable of \$200 million. Accounts receivable in an aggregate amount of \$51 million were sold as of September 27, 2003. The level of funding under this facility is based on the credit ratings of our major customers as well as the level of aggregate accounts receivable in a specific month. In November 2003, the ABS facility was amended to extend the termination date to November 2004.

In addition, several of our European subsidiaries factor their accounts receivable with financial institutions. Such receivables are factored without recourse to us and are excluded from accounts receivable in our consolidated balance sheets as of September 27, 2003 and December 31, 2002. The amounts of factored receivables were \$121 million and \$160 million as of September 27, 2003 and December 31, 2002, respectively. We cannot provide any assurances that these factoring facilities or our ABS facility will be available or utilized in the future.

We believe that cash flows from operating activities and available credit facilities will be sufficient to meet our anticipated debt service obligations, projected capital expenditures and working capital requirements.

### Market Rate Sensitivity

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

### Foreign Exchange

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

Our most significant foreign currency transactional exposures relate to the Mexican Peso, the Canadian Dollar and the European Euro. We have performed a quantitative analysis of our overall currency rate exposure as of September 27, 2003. The potential earnings impact related to transactional exposures from a hypothetical 10% strengthening of the U.S. dollar relative to all other currencies for a twelve-month period is approximately \$(1) million. The potential earnings impact related to transactional exposures from a similar strengthening of the Euro relative to all other currencies for a twelve-month period is approximately \$(2) million.

As of September 27, 2003, foreign exchange contracts representing \$1.9 billion of notional amount were outstanding with maturities of less than two years. The fair value of these foreign exchange contracts was approximately negative \$21 million as of September 27, 2003. A 10% change in the value of the U.S. dollar relative to all other currencies would result in a \$10 million change to the aggregated market value of these contracts. A 10% change in the value of the Euro relative to all other currencies would result in a \$33 million change in the aggregated market value of these contracts.

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There are certain shortcomings inherent to 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 weaken while others may strengthen causing the earnings impact to increase or decrease depending on the currency and the direction of the rate movement.

In addition to the above transactional exposure, our operating results are impacted by the translation of our foreign operating income into U.S. dollars. We do not enter into foreign currency contracts to mitigate this exposure.

### *Interest Rates*

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

We have performed a quantitative analysis of our overall interest rate exposure as of September 27, 2003. This analysis assumes an instantaneous 100 basis point parallel shift in interest rates at all points of the yield curve. The potential adverse earnings impact from this hypothetical increase for a twelve-month period is approximately \$5 million.

As of September 27, 2003, interest rate swap contracts representing \$922 million of notional amount were outstanding with maturity dates of December 2003 through May 2009. Of these contracts, \$422 million swap variable rate debt for fixed rate debt, and \$500 million swap fixed rate debt for variable rate debt. The fair value of these interest rate swap contracts is subject to changes in value due to changes in interest rates. The fair value of these contracts was approximately negative \$3 million as September 27, 2003. A 100 basis point parallel increase or decrease in interest rates would result in a \$13 million change in the aggregated market value of these instruments.

## **OTHER MATTERS**

### **Environmental Matters and Legal Proceedings**

We are involved in certain legal actions and claims arising in the ordinary course of business, including, without limitation, claims relating to product warranties and other liabilities, environmental liabilities, intellectual property matters, personal injury claims, employment matters and commercial or contractual disputes. Although the outcome of any legal matter cannot be predicted with certainty, we do not believe that any of the legal proceedings or matters in which we are currently involved, either individually or in the aggregate, will have a material adverse effect on our business, consolidated financial position or results of operations.

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 the costs of cleaning up certain damages resulting from past spills, disposal or other releases of hazardous wastes and environmental compliance. Our policy is to comply with all applicable environmental laws and to maintain procedures to ensure compliance. However, we currently are, have been and in the future may become the subject of formal or informal enforcement actions or procedures.

We have been named as a potentially responsible party at several third-party landfill sites and are engaged in the cleanup of hazardous wastes at certain sites owned, leased or operated by us, including several properties acquired in our 1999 acquisition of United Technologies Automotive (“UT Automotive”). Certain present and former properties of UT Automotive are subject to environmental liabilities which may be significant. We obtained agreements and indemnities with respect to certain possible environmental liabilities from United Technologies Corporation in connection with our acquisition of UT Automotive. While we do not believe that the environmental liabilities associated with our current and former properties will have a material adverse effect on our business, consolidated financial position or results of future operations, no assurances can be given in this regard.

The forward-looking statements set forth above are subject to risks and uncertainties. Please refer to “— Forward-Looking Statements,” Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2002 and Note 8, “Product Liabilities,” to the consolidated financial statements included in this Report.

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### Accounting Policies

The preparation of our financial statements requires us to make estimates and assumptions that affect the amounts and disclosures reported in our consolidated financial statements. Our estimates are based on historical experience and currently available information. Actual results in these areas could differ from our estimates. For a discussion of our significant accounting estimates and policies, see Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies,” and Note 2, “Summary of Significant Accounting Policies,” to the consolidated financial statements included in our Annual Report filed on Form 10-K for the year ended December 31, 2002. There have been no significant changes in our critical accounting policies or estimates during the first nine months of 2003.

### Recently Issued Accounting Pronouncements

#### *Derivative Instruments and Hedging Activities*

The Financial Accounting Standards Board (“FASB”) has issued SFAS No. 149, “Amendment of Statement 133 on Derivative Instruments and Hedging Activities,” the provisions of which apply to contracts entered into or modified after June 30, 2003 and to hedging relationships designated after June 30, 2003. SFAS No. 149 amends and clarifies the accounting for derivative instruments and hedging activities under SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” as amended by SFAS No. 137 and SFAS No. 138. The effects of adoption were not significant.

#### *Financial Instruments*

The FASB has issued SFAS No. 150, “Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity,” the provisions of which apply to financial instruments issued or modified after May 31, 2003 and to all other instruments at the beginning of the first interim period beginning after June 15, 2003. This statement requires liability recognition and fair value measurement for certain financial instruments. Although we have interests in certain consolidated joint ventures of limited duration, the effects of adoption were not significant.

#### *Variable Interest Entities*

The FASB has issued Interpretation (“FIN”) No. 46, “Consolidation of Variable Interest Entities,” the provisions of which apply immediately to any variable interest entity created after January 31, 2003 and apply in the first period ending after December 15, 2003 to any variable interest entity created prior to February 1, 2003. The interpretation requires the consolidation of a variable interest entity by its primary beneficiary and may require the consolidation of a portion of a variable interest entity’s assets or liabilities under certain circumstances. We are evaluating the impact of adopting FIN No. 46. Based on the size of the entities under evaluation, we do not expect the adoption of FIN No. 46 to have a material impact on our financial statements.

### Agreements with Customers

We recognize revenues as our products are shipped to our customers. We enter into agreements with our customers to produce products at the beginning of a vehicle’s life. Once we enter into such agreements, fulfillment of our customers’ purchasing requirements is our obligation for the entire production life of the vehicle, with terms of up to ten years. These agreements generally may be terminated by our customer (but not by us) at any time. Historically, terminations of these agreements have been minimal. In certain limited instances, we may be committed under existing agreements to supply products to our customers at selling prices which are not sufficient to cover the direct cost to produce such products. In such situations, we recognize losses as they are incurred.

We are required to provide our customers with annual cost savings as part of certain agreements. In addition, we have ongoing adjustments to our pricing arrangements with our customers based on the related content and cost of our products. We accrue for such amounts as our products are shipped to our customers. Such pricing accruals are adjusted as they are settled with our customers.

In connection with prior acquisitions, we recorded loss contract accruals in purchase accounting in conjunction with the Lear-Donnelly acquisition, the UT Automotive acquisition, the Peregrine acquisition and the Delphi acquisition. These loss contract accruals were not recorded in the historical operating results of Lear-Donnelly, UT Automotive, Peregrine or Delphi. The losses included in the accrual have not been, and will not be, included in our operating results since the respective acquisition dates. Further, our future operating results will benefit from accruing these contract losses in the related purchase price allocations. In 2002, the loss

## LEAR CORPORATION

contract accruals related to the Lear-Donnelly and Peregrine acquisitions were fully utilized. A summary of the remaining loss contract accrual activity related to the UT Automotive and Delphi acquisitions is shown below (in millions):

	Accrual at December 31, 2002	Utilized	Accrual at September 27, 2003
UT Automotive	4.7	(1.8)	2.9
Delphi	16.2	(4.5)	11.7

During the first nine months of 2002, we utilized \$2.1 million, \$2.8 million, \$2.8 million and \$1.2 million of the loss contract accruals related to the Lear-Donnelly, UT Automotive, Peregrine and Delphi acquisitions, respectively.

### Outlook

For the fourth quarter of 2003, we expect net sales to be approximately \$4.0 billion. The increase from a year ago reflects the addition of new business globally and a stronger Euro, offset by lower vehicle production in Western Europe (down 7%). We expect net income per share to be in the range of \$1.75 to \$1.85. Capital spending is projected to be approximately \$100 million, and the corporate tax rate is anticipated to be approximately 28%.

For the full year 2003, we expect net sales to be approximately \$15.5 billion, compared with \$14.4 billion in 2002. This increase reflects the addition of new business globally and a stronger Euro, offset in part by lower vehicle production in North America (down from 16.4 million units in 2002 to approximately 15.9 million units in 2003) and in Western Europe (down from 16.4 million units in 2002 to 15.9 million units in 2003). We expect net income per share to be in the range of \$5.40 to \$5.50 per share. Full-year capital spending is projected to be approximately \$315 million.

The foregoing constitute forward-looking statements that are subject to risks and uncertainties. Please refer to “- Forward-Looking Statements” and Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Risk Factors” in our Annual Report on Form 10-K for our year ended December 31, 2002 for a description of certain factors that may cause our actual results to differ from those expressed in our forward-looking statements.

### 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” and “estimates” and similar expressions identify these forward-looking statements. All statements contained or incorporated in this Report which address operating performance, events or developments that we expect or anticipate may occur in the future, including statements related to business opportunities, awarded sales contracts and net income per share growth or statements expressing views about future operating results are forward-looking statements. Important factors, risks and uncertainties that may cause actual results to differ from those expressed in our forward-looking statements include, but are not limited to:

- general economic conditions in the markets in which we operate;
- fluctuations in worldwide or regional automotive and light truck production;
- financial or market declines of our customers;
- labor disputes involving us or one or more of our significant customers or that could otherwise affect our operations;
- changes in practices and/or policies of our significant customers toward outsourcing automotive systems and components;
- our success in achieving cost reductions that offset or exceed customer-mandated selling price reductions;
- liabilities arising from legal proceedings to which we are or may become a party or claims against us or our products;
- increases in our warranty costs;
- fluctuations in currency exchange rates;
- increases in interest rates;
- changes in technology and technological risks;
- adverse changes in economic conditions or political instability in the jurisdictions in which we operate;
- competitive conditions impacting our key customers;
- increases in energy or raw material costs;
- raw materials shortages;
- the occurrence of war, terrorist attacks or other geopolitical events; and





**LEAR CORPORATION**

- other risks, described from time to time in our other Securities and Exchange Commission filings.

We do not assume any obligation to update any of these forward-looking statements.

**LEAR CORPORATION**

**ITEM 4 — CONTROLS AND PROCEDURES**

(a) Evaluation of Disclosure Controls and Procedures

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

(b) 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 covered by this quarterly report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

LEAR CORPORATION

**PART II — OTHER INFORMATION**

**ITEM 6 — EXHIBITS AND REPORTS ON FORM 8-K**

(a) Exhibits.

- 10.1 Performance Share Award Agreement dated September 23, 2003 between the Company and Robert E. Rossiter.
- 10.2 Performance Share Award Agreement dated September 23, 2003 between the Company and James H. Vandenberghe.
- 10.3 Performance Share Award Agreement dated September 23, 2003 between the Company and Douglas G. DelGrosso.
- 10.4 Performance Share Award Agreement dated September 23, 2003 between the Company and Donald J. Stebbins.
- 10.5 Performance Share Award Agreement dated September 23, 2003 between the Company and David C. Wajsglas.
- 10.6 Employment Agreement dated July 28, 2003 between the Company and Daniel A. Ninivaggi.
- 31.1 Certification of Chief Executive Officer of Periodic Report pursuant to Rule 13a — 14(a) or Rule 15d — 14(a).
- 31.2 Certification of Chief Financial Officer of Periodic Report pursuant to Rule 13a — 14(a) or Rule 15d — 14(a).
- 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.

(b) Reports on Form 8-K filed during the quarter ended September 27, 2003.

On July 17, 2003, the Company filed a Current Report on Form 8-K dated July 17, 2003, under Item 5, Other Events and Regulation FD Disclosure, reporting its financial results for the second quarter of 2003 and updating its earnings guidance for full year 2003. In addition, under Item 9, Regulation FD Disclosure, the Company filed the visual slides from the webcast of its second quarter 2003 earnings call conducted on July 17, 2003. \*

On September 9, 2003, the Company filed a Current Report on Form 8-K dated September 9, 2003, under Item 9, Regulation FD Disclosure, filing the visual slides from a presentation to be made by certain officers of the Company at the Frankfurt Autoshow Conference on September 10, 2003. \*

\* Pursuant to General Instruction B of Form 8-K, the reports submitted to the Securities and Exchange Commission under Item 9, Regulation FD Disclosure, are not deemed to be “filed” for purpose of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”), and we are not subject to the liabilities of that section with respect to such filings. We are not incorporating, and will not incorporate by reference, such reports into filings under the Securities Act of 1933 or the Exchange Act.

**LEAR CORPORATION**

**SIGNATURES**

Pursuant to the requirements 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.

LEAR CORPORATION

Dated: November 10, 2003

By: /s/ Robert E. Rossiter

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Robert E. Rossiter  
Chairman and Chief Executive Officer

By: /s/ David C. Wajsgras

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David C. Wajsgras  
Senior Vice President and Chief Financial Officer

By: /s/ William C. Dircks

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William C. Dircks  
Vice President and Corporate Controller

LEAR CORPORATION

INDEX TO EXHIBITS

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Bob Rossiter

LEAR CORPORATION  
LONG-TERM STOCK INCENTIVE PLAN  
PERFORMANCE SHARE AWARD AGREEMENT

PERFORMANCE SHARE AWARD AGREEMENT (the "Agreement") dated as of September 23, 2003, between Lear Corporation (the "Company") and the individual whose name appears on the signature page hereof (the "Participant"), who is a key employee of the Company or an Affiliate. Any term capitalized herein but not defined shall have the meaning set forth in the Lear Corporation Long-Term Stock Incentive Plan (the "Plan").

1. Grant. In accordance with the terms of the Plan, the Company hereby grants to the Participant a Performance Share Award subject to the terms and conditions set forth herein.

2. Performance Period. The Performance Period for this Award shall be the three-year period commencing on January 1, 2003 and ending on December 31, 2005.

3. Performance Measures. There shall be two performance measures, Relative Return to Shareholders and Return on Invested Capital, as both are defined below.

a. Relative Return to Shareholders: This performance measure ranks the "Return to Shareholders" (as defined below) for the Company over the Performance Period in relation to the Return to Shareholders for the "Peer Group" (as defined below).

i. "Return to Shareholders" for each respective company shall mean the quotient of (I) the sum of (a) the average closing price, as reported on the exchange where the stock of the relevant company is traded, for the five consecutive trading days preceding January 1, 2006 and (b) the dividends declared during the period commencing on January 1, 2003 and ending on December 31, 2005, divided by (II) the average closing price, as reported on the exchange where the stock of the relevant company is traded, for the five consecutive trading days preceding January 1, 2003.

ii. "Peer Group" shall include Arvin Meritor, Dana Corp., Delphi, Eaton Corp., Johnson Controls, Inc., Magna International, Inc., and Visteon.

b. Return on Invested Capital: This performance measure is the compounded improvement on the Company's return on Invested Capital as reported to its shareholders for 2003, 2004, 2005 fiscal years.

4. Performance Goals.
  - a. Relative Return to Shareholders:
    - i. Threshold: The Company is ranked above the 42nd percentile.
    - ii. Target: The Company is ranked above the 57th percentile.
    - iii. Superior: The Company is ranked above the 85th percentile.
  - b. Return on Invested Capital:
    - i. Threshold: 3% \* per year average
    - ii. Target: 5% per year average
    - iii. Superior: 7% per year average

\*If threshold payout is not achieved by meeting the 3% compounded annual growth, an opportunity exists to earn threshold payout if the % change in ROIC when compared to the Peer Group is above the 57th percentile.

5. Performance Shares.

a. The number of Performance Shares earned by a Participant with respect to each performance measure during the Performance Period shall be determined under the following chart:

Performance At	Performance Shares	
	Relative Return to Shareholders	Return on Invested Capital
Threshold	1858	1858
Target	3716	3716
Superior	5574	5574

b. In the event that the Company's actual performance does not meet threshold for that performance measure, Performance Shares shall not be earned with respect to that performance measure.

c. If the Company's actual performance for a performance measure is between "threshold" and "target," the Performance Shares earned shall equal the Performance Shares for threshold plus the number of Performance Shares determined under the following formula:

$$(TAS - TS) \times \frac{AP - TP}{TAP - TP}$$

- TAS = The Performance Shares for target.  
 TS = The Performance Shares for threshold.  
 AP = The Company's actual performance.  
 TP = The threshold performance goal.  
 TAP = The target performance goal.

d. If the Company's actual performance for a performance measure is between "target" and "superior," the Performance Shares earned shall equal the Performance Shares for target plus the number of Performance Shares determined under the following formula:

$$(SS - TAS) \quad \times \quad \frac{AP - TAP}{SP - TAP}$$

SS = The Performance Shares for superior.

TAS = The Performance Shares for target.

AP = The Company's actual performance.

TAP = The target performance goal.

SP = The superior performance goal.

e. If the Company's actual performance for performance measure exceeds "superior," the Performance Shares earned shall equal the Performance Shares for superior.

6. Timing and Form of Payout. Except as hereinafter provided, after the end of the Performance Period, the Participant shall be entitled to receive a number of shares of the Company's common stock, par value \$.01 per share ("Common Stock"), equal to his total number of Performance Shares determined under Section 5. Delivery of such shares of Common Stock shall be made as soon as administratively feasible after the Committee certifies the actual performance of the Company during the Performance Period. Notwithstanding the foregoing, any delivery of shares of Common Stock under this Section may be deferred by the Participant with the Committee's consent; provided, that the Participant's election to defer occurs prior to the expiration of the second year of the Performance Period. Notwithstanding anything herein to the contrary, the Committee may defer delivery of any shares of Common Stock to the Participant under this Section if the delivery of such shares of Common Stock would constitute compensation to the Participant that is not deductible by the Company or an Affiliate due to the application of Code Section 162(m); provided, that such shares of Common Stock deferred pursuant to this sentence shall be delivered to the Participant on or before the January 15 of the first year in which the Participant is no longer a "covered employee" of the Company (within the meaning of Code Section 162(m) following the end of the Performance Period or, if later, the deferred delivery date elected by the Participant in accordance with the preceding sentence.

7. Termination of Employment Due to Death, Retirement, or Disability. If a Participant ceases to be an employee prior to the end of the Performance Period by reason of death, Retirement or Disability, the Participant (or in the case of the Participant's death, the Participant's beneficiary) shall be entitled to receive shares of Common Stock equal to the number of shares of Common Stock the Participant would have been entitled to under Section 6 if he or she had remained employed until the last day of the Performance Period multiplied by a fraction, the numerator of which shall be the number of full calendar months during the period of January 1, 2003 through the date of the Participant's employment terminated and the denominator of which shall be thirty-six. The delivery of such shares of Common Stock shall be made as soon as administratively feasible after the end of the Performance Period, whether or not the Participant had elected under Section 6 above to defer receipt of Common Stock deliverable under this Award.

Any distribution made with respect to a Participant who has died shall be paid to the beneficiary designated by the Participant pursuant to Article 11 of the Plan to receive the Participant's shares of Common Stock under this Award. If the Participant's beneficiary predeceases the Participant or no



beneficiary has been designated, distribution of the Participant's shares of Common Stock under this Award shall be made to the Participant's surviving spouse and if none, to the Participant's estate.

8. Termination of Employment for Any Other Reason. Except as provided in Section 7, the Participant must be an employee of the Company and/or an Affiliate continuously from the date of this Award until the last day of the Performance Period to be entitled to receive any shares of Common Stock with respect to any Performance Shares he may have earned hereunder.

9. Assignment and Transfers. The rights and interests of the Participant under this Award may not be assigned, encumbered or transferred except, in the event of the death of the Participant, by will or the laws of descent and distribution.

10. Withholding Tax. The Company and any Affiliate shall have the right to retain shares of Common Stock that are distributable to the Participant hereunder to the extent necessary to satisfy the minimum required withholding taxes, whether federal or state, triggered by the distribution of shares of Common Stock under this Award.

11. No Limitation on Rights of the Company. The grant of this Award shall not in any way affect the right or power of the Company to make adjustments, reclassification, or changes in its capital or business structure, or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets.

12. Plan and Agreement Not a Contract of Employment. Neither the Plan nor this Agreement is a contract of employment, and no terms of employment of the Participant shall be affected in any way by the Plan, this Agreement or related instruments except as specifically provided therein. Neither the establishment of the Plan nor this Agreement shall be construed as conferring any legal rights upon the Participant for a continuation of employment, nor shall it interfere with the right of the Company or any Affiliate to discharge the Participant and to treat him or her without regard to the effect that such treatment might have upon him or her as a Participant.

13. Participant to Have No Rights as a Stockholder. The Participant shall not have any rights as a stockholder with respect to any shares of Common Stock subject to this Award prior to the date on which he or she is recorded as the holder of such shares of Common Stock on the records of the Company.

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

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

16. Plan Document Controls. The rights herein granted are in all respects subject to the provisions set forth in the Plan to the same extent and with the same effect as if set forth fully herein. In the event that the terms of this Agreement conflict with the terms of the Plan document, the Plan document shall control.

[signature page follows]

IN WITNESS WHEREOF, the Company and the Grantee have duly executed this Agreement as of the date first written above.

LEAR CORPORATION

By: /s/ Daniel A. Ninivaggi  
-----  
Daniel A. Ninivaggi  
Its: Vice President, Secretary  
and General Counsel

/s/ Robert E. Rossiter  
-----  
[Grantee's Signature]

Grantee's Name and Address  
for notices hereunder:

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Jim Vandenberghe  
LEAR CORPORATION  
LONG-TERM STOCK INCENTIVE PLAN  
PERFORMANCE SHARE AWARD AGREEMENT

PERFORMANCE SHARE AWARD AGREEMENT (the "Agreement") dated as of September 23, 2003, between Lear Corporation (the "Company") and the individual whose name appears on the signature page hereof (the "Participant"), who is a key employee of the Company or an Affiliate. Any term capitalized herein but not defined shall have the meaning set forth in the Lear Corporation Long-Term Stock Incentive Plan (the "Plan").

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i. "Return to Shareholders" for each respective company shall mean the quotient of (I) the sum of (a) the average closing price, as reported on the exchange where the stock of the relevant company is traded, for the five consecutive trading days preceding January 1, 2006 and (b) the dividends declared during the period commencing on January 1, 2003 and ending on December 31, 2005, divided by (II) the average closing price, as reported on the exchange where the stock of the relevant company is traded, for the five consecutive trading days preceding January 1, 2003.

ii. "Peer Group" shall include Arvin Meritor, Dana Corp., Delphi, Eaton Corp., Johnson Controls, Inc., Magna International, Inc., and Visteon.

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    - iii. Superior: The Company is ranked above the 85th percentile.
  - b. Return on Invested Capital:
    - i. Threshold: 3%\* per year average
    - ii. Target: 5% per year average
    - iii. Superior: 7% per year average

\*If threshold payout is not achieved by meeting the 3% compounded annual growth, an opportunity exists to earn threshold payout if the % change in ROIC when compared to the Peer Group is above the 57th percentile.

5. Performance Shares.

a. The number of Performance Shares earned by a Participant with respect to each performance measure during the Performance Period shall be determined under the following chart:

	Performance Shares	
Performance At	Relative Return to Shareholders	Return on Invested Capital
Threshold	1533	1533
Target	3066	3066
Superior	4599	4599

b. In the event that the Company's actual performance does not meet threshold for that performance measure, Performance Shares shall not be earned with respect to that performance measure.

c. If the Company's actual performance for a performance measure is between "threshold" and "target," the Performance Shares earned shall equal the Performance Shares for threshold plus the number of Performance Shares determined under the following formula:

$$(TAS - TS) \times \frac{AP - TP}{TAP - TP}$$

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6. Timing and Form of Payout. Except as hereinafter provided, after the end of the Performance Period, the Participant shall be entitled to receive a number of shares of the Company's common stock, par value \$.01 per share ("Common Stock"), equal to his total number of Performance Shares determined under Section 5. Delivery of such shares of Common Stock shall be made as soon as administratively feasible after the Committee certifies the actual performance of the Company during the Performance Period. Notwithstanding the foregoing, any delivery of shares of Common Stock under this Section may be deferred by the Participant with the Committee's consent; provided, that the Participant's election to defer occurs prior to the expiration of the second year of the Performance Period. Notwithstanding anything herein to the contrary, the Committee may defer delivery of any shares of Common Stock to the Participant under this Section if the delivery of such shares of Common Stock would constitute compensation to the Participant that is not deductible by the Company or an Affiliate due to the application of Code Section 162(m); provided, that such shares of Common Stock deferred pursuant to this sentence shall be delivered to the Participant on or before the January 15 of the first year in which the Participant is no longer a "covered employee" of the Company (within the meaning of Code Section 162(m) following the end of the Performance Period or, if later, the deferred delivery date elected by the Participant in accordance with the preceding sentence.

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beneficiary has been designated, distribution of the Participant's shares of Common Stock under this Award shall be made to the Participant's surviving spouse and if none, to the Participant's estate.

8. Termination of Employment for Any Other Reason. Except as provided in Section 7, the Participant must be an employee of the Company and/or an Affiliate continuously from the date of this Award until the last day of the Performance Period to be entitled to receive any shares of Common Stock with respect to any Performance Shares he may have earned hereunder.

9. Assignment and Transfers. The rights and interests of the Participant under this Award may not be assigned, encumbered or transferred except, in the event of the death of the Participant, by will or the laws of descent and distribution.

10. Withholding Tax. The Company and any Affiliate shall have the right to retain shares of Common Stock that are distributable to the Participant hereunder to the extent necessary to satisfy the minimum required withholding taxes, whether federal or state, triggered by the distribution of shares of Common Stock under this Award.

11. No Limitation on Rights of the Company. The grant of this Award shall not in any way affect the right or power of the Company to make adjustments, reclassification, or changes in its capital or business structure, or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets.

12. Plan and Agreement Not a Contract of Employment. Neither the Plan nor this Agreement is a contract of employment, and no terms of employment of the Participant shall be affected in any way by the Plan, this Agreement or related instruments except as specifically provided therein. Neither the establishment of the Plan nor this Agreement shall be construed as conferring any legal rights upon the Participant for a continuation of employment, nor shall it interfere with the right of the Company or any Affiliate to discharge the Participant and to treat him or her without regard to the effect that such treatment might have upon him or her as a Participant.

13. Participant to Have No Rights as a Stockholder. The Participant shall not have any rights as a stockholder with respect to any shares of Common Stock subject to this Award prior to the date on which he or she is recorded as the holder of such shares of Common Stock on the records of the Company.

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

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

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[signature page follows]

IN WITNESS WHEREOF, the Company and the Grantee have duly executed this Agreement as of the date first written above.

LEAR CORPORATION

By: /s/ Daniel A. Ninivaggi  
-----  
Daniel A. Ninivaggi  
Its: Vice President, Secretary  
and General Counsel

/s/ James H. Vandenberghe  
-----  
[Grantee's Signature]

Grantee's Name and Address  
for notices hereunder:

-----  
-----  
-----

Doug DeIGrosso

LEAR CORPORATION  
LONG-TERM STOCK INCENTIVE PLAN

PERFORMANCE SHARE AWARD AGREEMENT

PERFORMANCE SHARE AWARD AGREEMENT (the "Agreement") dated as of September 23, 2003, between Lear Corporation (the "Company") and the individual whose name appears on the signature page hereof (the "Participant"), who is a key employee of the Company or an Affiliate. Any term capitalized herein but not defined shall have the meaning set forth in the Lear Corporation Long-Term Stock Incentive Plan (the "Plan").

1. Grant. In accordance with the terms of the Plan, the Company hereby grants to the Participant a Performance Share Award subject to the terms and conditions set forth herein.

2. Performance Period. The Performance Period for this Award shall be the three-year period commencing on January 1, 2003 and ending on December 31, 2005.

3. Performance Measures. There shall be two performance measures, Relative Return to Shareholders and Return on Invested Capital, as both are defined below.

a. Relative Return to Shareholders: This performance measure ranks the "Return to Shareholders" (as defined below) for the Company over the Performance Period in relation to the Return to Shareholders for the "Peer Group" (as defined below).

i. "Return to Shareholders" for each respective company shall mean the quotient of (I) the sum of (a) the average closing price, as reported on the exchange where the stock of the relevant company is traded, for the five consecutive trading days preceding January 1, 2006 and (b) the dividends declared during the period commencing on January 1, 2003 and ending on December 31, 2005, divided by (II) the average closing price, as reported on the exchange where the stock of the relevant company is traded, for the five consecutive trading days preceding January 1, 2003.

ii. "Peer Group" shall include Arvin Meritor, Dana Corp., Delphi, Eaton Corp., Johnson Controls, Inc., Magna International, Inc., and Visteon.

b. Return on Invested Capital: This performance measure is the compounded improvement on the Company's return on Invested Capital as reported to its shareholders for 2003, 2004, 2005 fiscal years.



4. Performance Goals.
  - a. Relative Return to Shareholders:
    - i. Threshold: The Company is ranked above the 42nd percentile.
    - ii. Target: The Company is ranked above the 57th percentile.
    - iii. Superior: The Company is ranked above the 85th percentile.
  - b. Return on Invested Capital:
    - i. Threshold: 3%\* per year average
    - ii. Target: 5% per year average
    - iii. Superior: 7% per year average

\*If threshold payout is not achieved by meeting the 3% compounded annual growth, an opportunity exists to earn threshold payout if the % change in ROIC when compared to the Peer Group is above the 57th percentile.

5. Performance Shares.

a. The number of Performance Shares earned by a Participant with respect to each performance measure during the Performance Period shall be determined under the following chart:

Performance Shares		
Performance At	Relative Return to Shareholders	Return on Invested Capital
Threshold	1162	1162
Target	2323	2323
Superior	3485	3485

b. In the event that the Company's actual performance does not meet threshold for that performance measure, Performance Shares shall not be earned with respect to that performance measure.

c. If the Company's actual performance for a performance measure is between "threshold" and "target," the Performance Shares earned shall equal the Performance Shares for threshold plus the number of Performance Shares determined under the following formula:

$$(TAS - TS) \times \frac{AP - TP}{TAP - TP}$$

- TAS = The Performance Shares for target.  
 TS = The Performance Shares for threshold.  
 AP = The Company's actual performance.  
 TP = The threshold performance goal.  
 TAP = The target performance goal.

d. If the Company's actual performance for a performance measure is between "target" and "superior," the Performance Shares earned shall equal the Performance Shares for target plus the number of Performance Shares determined under the following formula:

$$(SS - TAS) \times \frac{AP - TAP}{SP - TAP}$$

SS = The Performance Shares for superior.

TAS = The Performance Shares for target.

AP = The Company's actual performance.

TAP = The target performance goal.

SP = The superior performance goal.

e. If the Company's actual performance for performance measure exceeds "superior," the Performance Shares earned shall equal the Performance Shares for superior.

6. Timing and Form of Payout. Except as hereinafter provided, after the end of the Performance Period, the Participant shall be entitled to receive a number of shares of the Company's common stock, par value \$.01 per share ("Common Stock"), equal to his total number of Performance Shares determined under Section 5. Delivery of such shares of Common Stock shall be made as soon as administratively feasible after the Committee certifies the actual performance of the Company during the Performance Period. Notwithstanding the foregoing, any delivery of shares of Common Stock under this Section may be deferred by the Participant with the Committee's consent; provided, that the Participant's election to defer occurs prior to the expiration of the second year of the Performance Period. Notwithstanding anything herein to the contrary, the Committee may defer delivery of any shares of Common Stock to the Participant under this Section if the delivery of such shares of Common Stock would constitute compensation to the Participant that is not deductible by the Company or an Affiliate due to the application of Code Section 162(m); provided, that such shares of Common Stock deferred pursuant to this sentence shall be delivered to the Participant on or before the January 15 of the first year in which the Participant is no longer a "covered employee" of the Company (within the meaning of Code Section 162(m) following the end of the Performance Period or, if later, the deferred delivery date elected by the Participant in accordance with the preceding sentence.

7. Termination of Employment Due to Death, Retirement, or Disability. If a Participant ceases to be an employee prior to the end of the Performance Period by reason of death, Retirement or Disability, the Participant (or in the case of the Participant's death, the Participant's beneficiary) shall be entitled to receive shares of Common Stock equal to the number of shares of Common Stock the Participant would have been entitled to under Section 6 if he or she had remained employed until the last day of the Performance Period multiplied by a fraction, the numerator of which shall be the number of full calendar months during the period of January 1, 2003 through the date of the Participant's employment terminated and the denominator of which shall be thirty-six. The delivery of such shares of Common Stock shall be made as soon as administratively feasible after the end of the Performance Period, whether or not the Participant had elected under Section 6 above to defer receipt of Common Stock deliverable under this Award.

Any distribution made with respect to a Participant who has died shall be paid to the beneficiary designated by the Participant pursuant to Article 11 of the Plan to receive the Participant's shares of Common Stock under this Award. If the Participant's beneficiary predeceases the Participant or no

beneficiary has been designated, distribution of the Participant's shares of Common Stock under this Award shall be made to the Participant's surviving spouse and if none, to the Participant's estate.

8. Termination of Employment for Any Other Reason. Except as provided in Section 7, the Participant must be an employee of the Company and/or an Affiliate continuously from the date of this Award until the last day of the Performance Period to be entitled to receive any shares of Common Stock with respect to any Performance Shares he may have earned hereunder.

9. Assignment and Transfers. The rights and interests of the Participant under this Award may not be assigned, encumbered or transferred except, in the event of the death of the Participant, by will or the laws of descent and distribution.

10. Withholding Tax. The Company and any Affiliate shall have the right to retain shares of Common Stock that are distributable to the Participant hereunder to the extent necessary to satisfy the minimum required withholding taxes, whether federal or state, triggered by the distribution of shares of Common Stock under this Award.

11. No Limitation on Rights of the Company. The grant of this Award shall not in any way affect the right or power of the Company to make adjustments, reclassification, or changes in its capital or business structure, or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets.

12. Plan and Agreement Not a Contract of Employment. Neither the Plan nor this Agreement is a contract of employment, and no terms of employment of the Participant shall be affected in any way by the Plan, this Agreement or related instruments except as specifically provided therein. Neither the establishment of the Plan nor this Agreement shall be construed as conferring any legal rights upon the Participant for a continuation of employment, nor shall it interfere with the right of the Company or any Affiliate to discharge the Participant and to treat him or her without regard to the effect that such treatment might have upon him or her as a Participant.

13. Participant to Have No Rights as a Stockholder. The Participant shall not have any rights as a stockholder with respect to any shares of Common Stock subject to this Award prior to the date on which he or she is recorded as the holder of such shares of Common Stock on the records of the Company.

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

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

16. Plan Document Controls. The rights herein granted are in all respects subject to the provisions set forth in the Plan to the same extent and with the same effect as if set forth fully herein. In the event that the terms of this Agreement conflict with the terms of the Plan document, the Plan document shall control.

[signature page follows]

IN WITNESS WHEREOF, the Company and the Grantee have duly executed this Agreement as of the date first written above.

LEAR CORPORATION

By: /s/ Daniel A. Ninivaggi

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Daniel A. Ninivaggi

Its: Vice President, Secretary and General Counsel

/s/ Douglas G. DelGrosso

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[Grantee's Signature]

Grantee's Name and Address for notices hereunder:

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Don Stebbins

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LONG-TERM STOCK INCENTIVE PLAN  
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7. Termination of Employment Due to Death, Retirement, or Disability. If a Participant ceases to be an employee prior to the end of the Performance Period by reason of death, Retirement or Disability, the Participant (or in the case of the Participant's death, the Participant's beneficiary) shall be entitled to receive shares of Common Stock equal to the number of shares of Common Stock the Participant would have been entitled to under Section 6 if he or she had remained employed until the last day of the Performance Period multiplied by a fraction, the numerator of which shall be the number of full calendar months during the period of January 1, 2003 through the date of the Participant's employment terminated and the denominator of which shall be thirty-six. The delivery of such shares of Common Stock shall be made as soon as administratively feasible after the end of the Performance Period, whether or not the Participant had elected under Section 6 above to defer receipt of Common Stock deliverable under this Award.

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[signature page follows]



IN WITNESS WHEREOF, the Company and the Grantee have duly executed this Agreement as of the date first written above.

LEAR CORPORATION

By: /s/ Daniel A. Ninivaggi

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Daniel A. Ninivaggi

Its: Vice President, Secretary and General Counsel

/s/ Donald J. Stebbins

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[Grantee's Signature]

Grantee's Name and Address for notices hereunder:

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Dave Wajsgras

LEAR CORPORATION  
LONG-TERM STOCK INCENTIVE PLAN  
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\*If threshold payout is not achieved by meeting the 3% compounded annual growth, an opportunity exists to earn threshold payout if the % change in ROIC when compared to the Peer Group is above the 57th percentile.

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a. The number of Performance Shares earned by a Participant with respect to each performance measure during the Performance Period shall be determined under the following chart:

Performance Shares		
Performance At	Relative Return to Shareholders	Return on Invested Capital
Threshold	929	929
Target	1858	1858
Superior	2787	2787

b. In the event that the Company's actual performance does not meet threshold for that performance measure, Performance Shares shall not be earned with respect to that performance measure.

c. If the Company's actual performance for a performance measure is between "threshold" and "target," the Performance Shares earned shall equal the Performance Shares for threshold plus the number of Performance Shares determined under the following formula:

$$(TAS - TS) \times \frac{AP - TP}{TAP - TP}$$

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[signature page follows]

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LEAR CORPORATION

By: /s/ Daniel A. Ninivaggi  
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Daniel A. Ninivaggi  
Its: Vice President, Secretary and General Counsel

/s/ David C. Wajsgas  
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[Grantee's Signature]

Grantee's Name and Address for notices hereunder:

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[LEAR CORPORATION LOGO]

LEAR CORPORATION

21557 Telegraph Road  
Southfield, MI 48034  
USA

PHONE (248) 447-1562  
Fax (248) 447-1677

ROGER JACKSON  
Senior Vice President  
Human Resources

July 28, 2003

Daniel A. Ninivaggi  
26 Beech Road  
New Canaan, CT 06840

Dear Dan:

Lear Corporation (the "COMPANY") considers it essential to its best interest and the best interests of its stockholders to foster the continuous employment of key management personnel.

The Board of Directors of the Company (the "BOARD") has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to their assigned duties. The Board recognizes that, as is the case with many publicly-held companies, the possibility of a Change in Control (as that term is hereafter defined) exists. The Company wishes to assure itself of both present and future continuity of management in the event of any Change in Control and that certain of its executives are not practically disabled from discharging their duties upon a Change in Control. In order to induce you to remain in the employ of the Company, and in consideration of your agreement to the termination of any existing employment contract you may have with the Company or any predecessor, the Company agrees that you shall receive, upon the terms and conditions set forth herein, the compensation and benefits set forth in this letter agreement ("AGREEMENT") during the Term hereof.

1. TERM OF AGREEMENT. This Agreement shall commence as of July 28, 2003 ("EFFECTIVE DATE") and the term of this Agreement shall at all times be three years, that is, the term of this Agreement shall be automatically extended each day for an additional day such that this Agreement shall continually have an unexpired term of three years, until the date three years after written notice is provided by either the Company or the Executive that this Agreement is not to be further extended or until the date the Executive reaches his or her normal retirement date under the Company's retirement plan for salaried employees then in effect, whichever shall first occur (the "TERM"). There shall be no renewal of the Term after the Date of Termination.

2. TERMS OF EMPLOYMENT. During the Term, you agree to be a full-time employee of the Company serving in the position of Vice President, Secretary and General Counsel of the Company and to devote substantially all of your working time and attention to the business and affairs of the Company and, to the extent necessary, to discharge the responsibilities associated with your position as Vice President, Secretary and General Counsel of the Company, to use your best efforts to perform faithfully and efficiently such responsibilities. In addition, you agree to serve in such other capacities or offices to which you may be assigned, appointed or elected from time to time by the Board. Nothing herein shall prohibit you from devoting your time to civic and community activities, serving as a member of the Board of Directors of other corporations who do not compete with the Company, or managing personal investments, as long as the foregoing do not interfere with the performance of your duties hereunder.

3. COMPENSATION.

- (i) As compensation for your services, under this Agreement, you shall be entitled to receive an initial base salary of \$425,000 per annum, to be paid in accordance with existing payroll practices for executives of the Company. Increases in your base salary, if any, shall be as approved by the Compensation Committee of the Board. In addition, you shall be eligible to receive an annual incentive compensation bonus ("BONUS") to be approved from time to time by the Compensation Committee of the Board.
- (ii) In addition to compensation provided for in Subsection (i) of this Section 3, the Company agrees (A) to provide the same or comparable benefits with respect to any compensation or benefit plan in which you participate as of the Effective Date which is material to your total compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan; and (B) to maintain your ability to participate therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the opportunities provided and the level of your participation relative to other participants, than exists on the Effective Date.
- (iii) The Company shall reimburse you for all reasonable travel, entertainment and other business expenses incurred by you in the performance of your responsibilities under this Agreement promptly upon receipt of written substantiation of such expenses. You shall also be paid all additional amounts necessary to discharge all federal and state tax liabilities incurred by you that are attributable to all deemed compensation arising as a consequence of your personal use of property owned or leased by the Company, excepting only your personal use of any Company aircraft, including federal and state taxes assessed against such additional compensation.
- (iv) You shall be entitled to perquisites available to other officers of the Company, and shall be entitled to four (4) weeks of vacation per year.



4. TERMINATION OF EMPLOYMENT. Your employment may be terminated as set forth herein. If your employment should terminate during the Term, your entitlement to benefits shall be determined in accordance with Section 5 hereof.

- (i) NOTICE. Your employment may be terminated by either the Company or you by giving a Notice of Termination, as defined in Subsection (vii) of this Section 4.
- (ii) DISABILITY. If, as a result of your incapacity due to physical or mental illness, you become permanently disabled and begin actually to receive disability benefits pursuant to the Lear Corporation's Salary Continuation Plan, the Lear Corporation's Long Term Disability Plan for Salaried Employees, the Lear Corporation Executive Disability Insurance Plan or any successor thereto, your employment may be terminated for "Disability".
- (iii) CAUSE. Termination of your employment for "CAUSE" shall mean termination upon:
  - (A) an act of fraud, embezzlement or theft by you in connection with your duties or in the course of your employment with the Company;
  - (B) your intentional wrongful damage to the property of the Company;
  - (C) your intentional wrongful disclosure of secret processes or confidential information of the Company;
  - (D) your intentional breach of Section 10 or Section 11 hereof while you remain in the employ of the Company;
  - (E) an act of Sexual Harassment (as defined below);
  - (F) an act of Gross Misconduct (as defined below);
  - (G) discrimination on the basis of race, color, religion or national origin; or
  - (H) a felony conviction for a crime involving moral turpitude.

and the determination by the Directors of the Company as hereafter provided that any such act shall have been materially harmful to the Company. For purposes of this Agreement, "SEXUAL HARASSMENT" shall mean unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature, based on the totality of the circumstances, such as the nature of the sexual advances and the context in which the alleged incidents occurred, when (1) submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment, (2) submission to or rejection of such conduct by an individual is used as the basis of employment decisions affecting such individual, or (3) such conduct has the purpose or effect of

unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment. For purposes of this Agreement, "GROSS MISCONDUCT" shall mean a willful or negligent act or omission, which is contrary to established policies or practices of the Company and which has or will have a material and adverse impact on the business or reputation of the Company, or on the business of the Company's customers or suppliers as such relate to the Company. For purposes of this Agreement, no act, or failure to act, on your part shall be deemed for "CAUSE" unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Company. Notwithstanding the foregoing, you shall not be deemed to have been terminated for "CAUSE" hereunder unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of a majority of the Directors then in office at a meeting of the Directors called and held for such purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Directors), finding that, in the good faith opinion of the Directors, you have committed an act set forth above in this Section 4(iii) and specifying the particulars thereof in detail. Nothing herein shall limit your right or your beneficiaries' right to contest the validity or propriety of any such determination.

- (iv) GOOD REASON. For purposes of this Agreement, "GOOD REASON" shall mean the occurrence, without your express written consent, of any of the following circumstances or events unless such circumstances or events are fully corrected prior to the Date of Termination specified in the Notice of Termination, as such terms are defined in Subsections (viii) and (vii) of this Section 4, respectively, given in respect thereof:
- (A) any reduction by the Company in your base salary or adverse change in the manner of computing your Bonus, as in effect from time to time, except for across-the-board salary reductions similarly affecting all executive officers of the Company;
  - (B) the failure by the Company to pay or provide to you within seven (7) days of receipt by the Company of your written demand any amounts of base salary or Bonus or any benefits which are due, owing and payable to you pursuant to the terms hereof, except pursuant to an across-the-board compensation deferral similarly affecting all executive officers, or to pay to you any portion of an installment of deferred compensation due under any deferred compensation program of the Company;
  - (C) except in the case of across-the-board reductions, deferrals or eliminations similarly affecting all executive officers of the Company, the failure by the Company to (i) continue in effect any compensation or benefit plan in which you participate which is material to your total compensation and benefits, including but not limited to the Company's plans currently in effect or hereafter adopted, and any plans adopted in substitution therefor, or (ii) continue to provide you with benefits substantially similar, in

aggregate, to the Company's life insurance, medical, dental, health, accident or disability plans in which you are participating at the date of this Agreement;

- (D) the failure to elect, reelect or otherwise maintain you in the office or position in the Company which you held immediately prior to such failure, or your removal as a Director of the Company (or any successor thereof) if you shall have been a Director of the Company;
- (E) there has been an adverse change in your responsibilities, position (including substantial change in status, reporting relationships or working conditions), authority or duties, which situation is not remedied within ten (10) calendar days after receipt by the Company of written notice from you of such change; or
- (F) without limiting the generality or effect of the foregoing, any material breach of this Agreement by the Company.

Your continued employment with the Company shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

- (v) CHANGE IN CONTROL. Notwithstanding, anything contained in this Agreement to the contrary, if a Constructive Termination (as defined in Section 4(vi)) shall have occurred after a Change in Control shall have occurred, you may terminate employment with the Company during the 30 day period immediately following the first anniversary of the occurrence of such Change in Control, with the right to severance compensation as provided in Section 5(iv) hereof and, if applicable, Section 6 hereof. For purposes of this Agreement, a "CHANGE IN CONTROL" shall have occurred if at any time during the Term any of the following events shall occur:

- (A) the Company is merged or consolidated or reorganized into or with another corporation or other legal person or entity and as a result of such merger, consolidation or reorganization less than 51% of the combined voting power of the then outstanding securities of such corporation or person immediately after such transaction is held in the aggregate by the holders of the then outstanding securities entitled to vote generally in the election of Directors ("VOTING STOCK") of the Company immediately prior to such transaction;
- (B) the Company sells or otherwise transfers all or substantially all of its assets to any other corporation or other legal person or entity if less than 51% of the combined voting power of the then outstanding Voting Stock of such corporation or person immediately after such sale or transfer is held in the aggregate by the holders of Voting Stock of the Company immediately prior to such sale or transfer;

- (C) there is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form or report), each as promulgated pursuant to the Securities Exchange Act of 1934 (the "EXCHANGE ACT"), disclosing that any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Exchange Act) has become the beneficial owner (as the term "beneficial owner" is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of securities representing 20% or more of the then outstanding Voting Stock of the Company;
- (D) the Company shall file a report or proxy statement with the Securities and Exchange Commission pursuant to the Exchange Act disclosing in response to Item 1 of Form 8-K thereunder or Item 6(e) of Schedule 14A thereunder (or any successor schedule, form or report or item therein) that a change in control of the Company has or may have occurred or will or may occur in the future pursuant to any then existing, contract or transaction; or
- (E) during any period of two consecutive years, individuals who at the beginning of any such period constitute the Directors of the Company cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election by the Company's shareholders, of each Director of the Company first elected during such period was approved by a vote of at least two-thirds of the Directors of the Company then still in office who were Directors of the Company at the beginning, of any such period.

Notwithstanding the foregoing provisions of Sections 4(v)(A) and 4(v)(B) hereof, a Change in Control shall not be deemed to have occurred under Section 4(v)(A) or 4(v)(B) if: (i) the Chairman and CEO, Vice Chairman and Presidents (i.e., the top four executive officers) of the Company shall hold officer positions of substantially equivalent responsibility and authority with the corporation surviving such merger, consolidation, or reorganization, or the entity acquiring such assets (the "ACQUIROR"); and (ii) not less than 40% of the members of the Board of Directors or other governing body of the Acquiror shall have been directors of the Company during the 90 day period immediately preceding such merger, consolidation, reorganization or acquisition of assets. Notwithstanding the foregoing provisions of Section 4(v)(C) and 4(v)(D) hereof, a Change in Control shall not be deemed to have occurred for purposes of this Agreement solely because (a) the Company, (b) an entity in which the Company directly or indirectly beneficially owns more than 50% of the voting securities or (c) any Company-sponsored employee stock ownership plan or any other employee benefit plan of the Company, or any entity holding shares of Voting Stock for or pursuant to the terms of any such plan, either files or becomes obligated to file a report or a proxy statement under or in response to Schedule 13D, Schedule 14D-1, Item I of Form 8-K or Item 6(e) of Schedule 14A (or any successor schedule, form or report or item therein) under the Exchange Act, disclosing beneficial ownership by it of shares of Voting Stock of the Company, whether in excess of 20% or otherwise, or because the Company reports that a

change in control of the Company has or may have occurred or will or may occur in the future by reason of such beneficial ownership by the entities described in clauses (a), (b) and (c) of this paragraph.

- (vi) CONSTRUCTIVE TERMINATION. For purposes of this Agreement, "CONSTRUCTIVE TERMINATION" shall mean the occurrence, without your express written consent, of any of the following circumstances or events unless such circumstances or events are fully corrected prior to the Date of Termination specified in the Notice of Termination, as such terms are defined in Subsections (viii) and (vii) of this Section 4, respectively, given in respect thereof:
- (A) any reduction, other than across-the-board reduction, by the Company in your base salary or adverse change in the manner of computing your Bonus, as in effect from time to time;
  - (B) the failure by the Company to pay or provide to you within seven (7) days of receipt by the Company of your written demand any amounts of base salary or Bonus or any benefits which are due, owing and payable to you pursuant to the terms hereof, or to pay to you any portion of an installment of deferred compensation due under any deferred compensation program of the Company;
  - (C) the failure by the Company to (i) continue in effect any compensation or benefit plan in which you participate which is material to your total compensation and benefits, including but not limited to the Company's plans currently in effect or hereafter adopted, and any plans adopted in substitution therefor, or (ii) continue to provide you with benefits substantially similar, in aggregate, to the Company's life insurance, medical, dental, health, accident or disability plans in which you are participating at the date of this Agreement;
  - (D) the failure to elect, reelect or otherwise maintain you in the office or substantially same position in the Company which you held immediately prior to such failure, or your removal as a Director of the Company (or any successor thereof) if you shall have been a Director of the Company;
  - (E) there has been an adverse change in your responsibilities, position (including substantial change in status, reporting relationships or working conditions), authority or duties, which situation is not remedied within ten (10) calendar days after receipt by the Company of written notice from you of such change;
  - (F) the requirement by the Company that you change your principal location of work to any location which is in excess of 50 miles from your principal location of work immediately prior to such relocation, or a material increase in your travel away from your office in the course of discharging

your responsibilities or duties hereunder, without, in either case, your prior written consent; or

- (G) without limiting the generality or effect of the foregoing, any material breach of this Agreement by the Company.

Your continued employment with the Company shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Constructive Termination hereunder.

- (vii) NOTICE OF TERMINATION. Any termination of your employment by the Company or by you shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 9 hereof. For purposes of this Agreement, a "NOTICE OF TERMINATION" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon, if any, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

- (viii) DATE OF TERMINATION. "DATE OF TERMINATION" shall mean

- (A) if your employment is terminated for Disability pursuant to Subsection (ii) of this Section 4, the date on which you are considered disabled pursuant to the Lear Corporation's Salary Continuation Plan, the Lear Corporation's Long Term Disability Plan for Salaried Employees, the Lear Corporation Executive Disability Insurance Plan or any successor thereto;
- (B) if your employment is terminated by reason of your death, the date of your death;
- (C) if your employment is terminated by you for Good Reason or by either party for any other reason (other than Disability, death, or your voluntary resignation without Good Reason), the date specified in the Notice of Termination (which, in the case of a termination by you for Good Reason, shall not be less than thirty (30) nor more than sixty (60) days from the date such Notice of Termination is given); and
- (D) if your employment is terminated by your voluntary resignation without Good Reason (as defined in Subsection (iv) of this Section 4), the Date of Termination shall be forty-five (45) days from the date such Notice of Termination is given or such earlier date after the date such Notice of Termination is given, as may be identified by the Company.

Unless the Company instructs you not to do so, you shall continue to perform services as provided in this Agreement through the Date of Termination.

- (ix) EMPLOYEE BENEFITS. A termination by the Company pursuant to Section 4(ii) hereof or by you pursuant to Section 4(iv) or Section 4(v) hereof shall not affect

any rights which you may have pursuant to any other agreement, policy, plan, program or arrangement of the Company providing employee benefits, which rights shall be governed by the terms thereof; provided, however, that if you shall have received or shall be receiving benefits under Section 5 hereof and, if applicable, Section 6 hereof, you shall not be entitled to receive benefits under any other policy, plan, program or arrangement of the Company providing severance compensation to which you would otherwise be entitled. If this Agreement or your employment is terminated under circumstances in which you are not entitled to any payments under Section 5 hereof, you shall have no further obligation or liability to the Company hereunder with respect to your prior or any future employment by the Company.

5. COMPENSATION UPON TERMINATION OR DURING DISABILITY. Upon termination of your employment with the Company during the Term, you shall be entitled to the following compensation and benefits:

(i) If your employment is terminated for Disability, (a) for the period from the Date of Termination until the end of the calendar year in which such termination occurs, you shall receive all compensation payable to you under the Company's disability and medical plans and programs, as in effect on the Date of Termination, plus an additional payment from the Company (if necessary) such that the aggregate amount received by you in the nature of salary continuation from all sources equals your base salary, at the rate in effect on the Date of Termination, plus any Bonus earned and all other amounts to which you are entitled under any compensation or benefit plans of the Company, prorated for the portion of the Bonus, compensation or benefit measurement period occurring prior to the Date of Termination, and (b) for the period from the end of the calendar year in which such termination occurs until the end of the Term, you shall receive all compensation payable to you under the Company's disability and medical plans and programs, as in effect on the Date of Termination, plus an additional payment from the Company (if necessary) such that the aggregate amount received by you in the nature of salary continuation from all sources equals your base salary at the rate in effect on the Date of Termination. After the end of the Term, your benefits shall be determined under the Company's retirement, insurance and other compensation programs then in effect in accordance with the terms of such programs, provided that such terms shall not be less advantageous to you than the terms of such programs in effect as of the Effective Date.

(ii) If your employment shall be terminated (a) by the Company for Cause, or (b) by you other than for Good Reason or a Constructive Termination after a Change in Control, the Company shall pay you your base salary proportionately allocated on a pro-rata basis through the Date of Termination, at the rate in effect at the time Notice of Termination is given, plus all other amounts to which you are fully vested and irrevocably entitled under any compensation or benefit plans of the Company as of the Date of Termination, and the Company shall have no further

obligations in any respect whatsoever for payment of compensation or benefits to you under this Agreement. Provided, however, that if your employment is terminated by your voluntary resignation without Good Reason, you shall be compensated under this Subsection 5(ii) only to the extent that you actively performed your assigned responsibilities through the Date of Termination.

- (iii) If your employment shall be terminated by reason of your death, the Company shall pay your estate or designated beneficiary (as designated by you by written notice to the Company, which designation shall remain in effect for the remainder of the Term and any extensions thereof until revoked or a new beneficiary is designated, in either case by written notice to the Company) your base salary proportionately allocated on a pro-rata basis through the Date of Termination and for a period of 12 whole calendar months thereafter plus, if the Date of Termination shall not occur on the first day of a calendar month, the balance of the month in which the Date of Termination occurs, at the rate in effect at the time of your death, plus any Bonus earned, prorated for the portion of the Bonus measurement period occurring prior to the date of your death, plus all other amounts to which you are entitled under any compensation or benefit plans of the Company at the date of your death, including, but not limited to, all life insurance proceeds payable on your death to which your estate or beneficiaries are otherwise entitled in accordance with the terms thereof, and the Company shall have no further obligation to you, your beneficiaries or your estate under this Agreement.
- (iv) If your employment shall be terminated (a) by the Company other than for Cause or Disability or (b) by you for Good Reason or because of Constructive Termination after a Change in Control, then you shall be entitled to the benefits provided below:
  - (A) The Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given (or, if greater, at the rate in effect 30 days prior to the time Notice of Termination is given), plus all other amounts to which you are entitled under any compensation or benefit plans of the Company, including, without limitation, any Bonus earned, prorated for the portion of the Bonus measurement period occurring, prior to the Date of Termination, at the time such payments are due, except as otherwise provided below.
  - (B) The Company shall pay or cause to be paid to you, in lieu of any further payments to you for the portion of the Term subsequent to the Termination Date, excluding any amounts payable under Section 5(iv)(D) hereof, and excluding your rights at law or in equity (other than rights to damages for termination of your employment or this Agreement), a payment, which shall be made either (i) if mutually agreed to by you (or your estate or other representative) and the Company as of the Date of Termination, in a lump sum within five business days after the Termination Date in an



amount equal to the present value of the Severance Payment (as defined below), using a discount rate equal to the applicable interest rate promulgated by the Internal Revenue Service ("IRS") under Section 417(e)(3) of the Internal Revenue Code of 1986, as amended ("CODE") for the third month preceding the month in which the Termination Date occurs, and if the IRS ceases to promulgate such interest rates, the last such interest rate so promulgated, or (ii) in the absence of such an agreement, in installments, without interest (with exceptions for any amounts imputed or otherwise deemed or recharacterized as interest under the Code) in thirty-six (36) equal monthly installments with each such monthly installment payment equal to 1/36th of the aggregate amount of the Severance Payment. The "SEVERANCE PAYMENT" shall be equal to the sum of:

- (i) the aggregate base salary (at the highest rate in effect at any time during the Term) which you would have received pursuant to this Agreement for two years, had your employment with the Company continued for such period; plus
- (ii) the aggregate Bonus (based upon the highest annual Bonus that you received with respect to any calendar year during, the three calendar years immediately preceding the calendar year in which the Termination Date occurred) which you would have received pursuant to this Agreement for two years, had your employment with the Company continued for such period; plus
- (iii) the cash value of all benefits that would be payable to you under the Company Pension Equalization Plan ("PEP"), the Company Management Stock Purchase Plan ("MSPP"), the Company Executive Supplemental Savings Plan ("ESSP"), and the Company Long-Term Stock Incentive Plan ("LTSIP") (the PEP, MSPP, ESSP and LTSIP are collectively referred to herein as the "PLANS"), (based upon the highest annual aggregate rate that you received benefits under each of the Plans with respect to any calendar year during the three calendar years immediately preceding the calendar year in which the Termination Date occurs) pursuant to this Agreement for two years, had your employment with the Company continued for such period, other than Plan benefits providing base salary, Bonus and the benefits to be provided pursuant to Section 5(iv)(D) hereof.

You and the Company acknowledge that references in this Section 5(iv)(B) to the PEP, the MSPP, the ESSP, and the LTSIP, shall be deemed to be references to such plans as amended or restated from time to time and to any similar plan of the Company that supplements or supersedes any such plans; provided that any amendment during the Term that reduces benefits under the PEP, the MSPP, the ESSP, or the LTSIP (or any similar plan of the Company that

supplements or supersedes any of such plans) in any way (including without limitation by reducing, the rate of benefit accruals or contribution levels under any of such plans, or by changing, the basis upon which actuarial equivalents are determined under any such plans) shall be disregarded for purposes of this Section 5(iv)(B). In addition, you and the Company acknowledge that references in this Section 5 to any Section of the Code shall be deemed to be references to such Section as amended from time to time or to any successor thereto.

- (C) The Company shall pay all legal fees and expenses incurred by you as a result of such termination (including without limitation all such fees and expenses, if any, incurred in seeking to obtain or enforce any right or benefit provided by this Agreement in accordance with Section 21 hereof).
- (D) The Company shall arrange to provide to you, for the remainder of the Term, benefits provided under any "welfare benefit plan" of the Company as the term "welfare benefit plan" is defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended, which you were receiving or entitled to receive during the Term ("WELFARE BENEFITS"). If and to the extent that any such Welfare Benefits shall not or cannot be paid or provided under any policy, plan, program or arrangement of the Company (i) solely due to the fact that you are no longer an officer or employee of the Company or did not continue as an officer or employee of the Company during the remainder of the Term or (ii) as a result of the amendment or termination of any plan providing for Welfare Benefits, the Company shall then itself pay or provide for the payment of such Welfare Benefits to you, your dependents and beneficiaries. Without otherwise limiting the purposes or effect of the no mitigation obligation in Section 5(viii) hereof, Welfare Benefits payable to you (including your dependents and beneficiaries) pursuant to this Section 5(iv)(D) shall be reduced to the extent comparable benefits are actually received by you (including your dependents and beneficiaries) from another employer during such period, and any such benefits actually received by you shall be reported by you to the Company.
- (E) Your right to acquire any shares of the Company's capital stock under any and all outstanding stock options, or other rights previously granted to you under any stock option, stock purchase, stock appreciation, or similar equity-based plans of the Company shall expire as of the Date of Termination and be null, void, and of no further force or effect, except (i) to the extent the express terms of such stock option, stock purchase, stock appreciation, or similar equity-based plans provide for vesting or other manner of continuation after the Date of Termination, or (ii) on such terms and conditions as mutually agreed to by you and the Company as of the Date of Termination.
- (v) Any Bonus that is payable to you with respect to a period that is less than a full calendar year (a "PARTIAL CALENDAR YEAR") shall be prorated by multiplying (i) the

Bonus that would have been payable to you with respect to the entire calendar year had your employment with the Company continued until the end of such year by (ii) a fraction, the numerator of which equals the number of days in the partial calendar year and the denominator of which equals 365.

- (vi) The Company, if permitted by law, may set-off or counterclaim losses, fines or damages in respect of any claim, debt or obligation against any payment to or benefit for you provided for in this Agreement.
- (vii) Without limiting your rights at law or in equity, if the Company fails to make any payment or provide any benefit required to be made or provided hereunder on a timely basis, the Company will pay interest on the amount or value thereof at an annualized rate of interest equal to the "PRIME RATE" as quoted from time to time during the relevant period in The Wall Street Journal, plus three percent. Such interest will be payable as it accrues on demand. Any change in such prime rate will be effective on and as of the date of such change.
- (viii) The Company hereby acknowledges that it will be difficult, and may be impossible, for you to find reasonably comparable employment following the Termination Date. In addition, the Company acknowledges that its severance pay plans and policies applicable in general to its salaried employees do not provide for mitigation, offset or reduction of any severance payment received thereunder. Accordingly, the parties hereto expressly agree that the payment of the severance compensation by the Company to you in accordance with the terms of this Agreement shall be liquidated damages and that you shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor shall any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of you hereunder or otherwise, except as expressly provided in this Section 5.

6. CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.

- (i) Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined (as hereafter provided) that any payment by the Company to or for your benefit, whether paid or payable pursuant to the terms of this Agreement or otherwise (a "PAYMENT"), would be subject to the excise tax imposed by Section 4999 (or any successor thereto) of the Code, and any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereafter collectively referred to as the "EXCISE TAX"), then you shall be entitled to receive an additional payment or payments (collectively, a "GROSS-UP PAYMENT"), including without limitation any Gross-Up Payment made with respect to the Excise Tax, if any, attributable to (i) any incentive stock option, as defined by Section 422 of the Code ("ISO"), or (ii) any stock appreciation or similar right, whether or not limited, granted in tandem with any ISO. The Gross-Up Payment shall be in an amount such that, after payment

by you of the Excise Tax, plus any additional taxes, penalties and interest, and any further Excise Taxes imposed upon the Gross-Up Payment, you retain, after payment of all such taxes and Excise Taxes, an amount of the Gross-Up Payment equal to the Payment that you would have received if no Excise Taxes had been imposed upon the Payment and no additional taxes or further Excise Taxes had been imposed upon the Gross-Up Payment.

- (ii) Subject to the provisions of Section 6(v) hereof, all determinations required to be made under this Section 6, including whether an Excise Tax is payable by you and the amount of such Excise Tax and whether a Gross-Up Payment is required and the amount of such Gross-Up Payment, shall be made by a nationally recognized firm of certified public accountants (the "ACCOUNTING FIRM") selected by you in your sole discretion. You shall direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and you within 30 calendar days after the Termination Date. If the Accounting Firm determines that any Excise Tax is payable by you, the Company shall pay the required Gross-Up Payment to you within five (5) business days after receipt of the aforesaid determination and calculations. If the Accounting Firm determines that no Excise Tax is payable by you, it shall, at the same time as it makes such determination, furnish you with an opinion that you do not owe any Excise Tax on your Federal income tax return. Any determination by the Accounting Firm as to the amount of the Gross-Up Payment to be paid by the Company within such 30 calendar day period shall be binding upon the Company and you. As a result of the uncertainty in the application of Section 4999 (or any successor thereto) of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("UNDERPAYMENT"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 6(v) hereof and you thereafter are required to make a payment of any Excise Tax, you shall direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Company and you as promptly as possible. Any such Underpayment shall be promptly paid by the Company to or for your benefit within three calendar days after receipt of such determination and calculations.
- (iii) The Company and you shall each cooperate with the Accounting Firm in connection with the preparation and issuance of the determination provided for in Section 6(ii) hereof. Such cooperation shall include without limitation providing the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or you, as the case may be, that are reasonably requested by the Accounting Firm.
- (iv) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations provided for in Section 6(ii) hereof shall initially be paid by you. The Company shall reimburse you for your payment of

such costs and expenses within five (5) business days after receipt from you of a statement therefor and evidence of your payment thereof.

- (v) You shall notify the Company in writing, of any claim by the IRS that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification shall be given as soon as practicable but no later than 10 business days after you receive notice of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. You shall not pay such claim prior to the earlier of (A) the expiration of the 30 calendar day period following the date on which you give such notice to the Company or (B) the date that any payment of taxes with respect to such claim is due. If the Company notifies you in writing prior to the expiration of such period that it desires to contest such claim, you shall:
- (i) give the Company any information reasonably requested by the Company relating, to such claim;
  - (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing, from time to time, including without limitation accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;
  - (iii) cooperate with the Company in good faith in order effectively to contest such claim; and
  - (iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold you harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 6(v), the Company shall, provided that such control does not have a material adverse affect on your individual income tax with respect to matters unrelated to the contest of the Excise Tax, control all proceedings taken in connection with such contest and, at its sole option, may, provided that such pursuit or foregoing does not have a material adverse affect on your individual income tax with respect to matters unrelated to the contest of the Excise Tax, pursue or forego any and all administrative appeals, proceedings, hearings and conference with the IRS in respect of such claim (but, you may participate therein at your own cost and expense) and may, at its sole option, provided that such payment, suit, contest or prosecution does not have a material adverse affect on your individual income tax with respect to matters unrelated to the contest of the Excise Tax, either direct you to pay the tax claimed and sue for a refund or contest the claim in any permissible

manner, and you agree to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs you to pay the tax claimed and sue for a refund, the Company shall advance the amount of such payment to you on an interest-free basis and shall indemnify and hold you harmless, on an after-tax basis, from any Excise Tax or income tax, including interest or penalties with respect thereto, imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for your taxable year with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of such contest shall be limited to issues with respect to which a Gross Up Payment would be payable hereunder, and you shall be entitled to settle or contest, as the case may be, any other issue raised by the IRS.

(vi) If, after the receipt by you of an amount advanced by the Company pursuant to Section 6(v) hereof, you receive any refund with respect to such claim, you shall (subject to the Company's complying with the requirements of Section 6(v) hereof) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by you of an amount advanced by the Company pursuant to Section 6(v) hereof, a determination is made that you shall not be entitled to any refund with respect to such claim and the Company does not notify you in writing of its intent to contest such denial or refund prior to the expiration of 30 calendar days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

7. TRAVEL. Except to the extent that you are permitted to terminate your employment for Constructive Termination after a Change in Control as provided in Section 4(v), you shall be required to travel to the extent necessary for the performance of your responsibilities under this Agreement.

8. SUCCESSORS; BINDING AGREEMENT. The Company will, by agreement in form and substance satisfactory to you, require any successor (whether direct or indirect, by purchase merger, consolidation or otherwise) to all or substantially all the business and/or assets of the Company, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall entitle you to compensation from the Company in the same amount and on the same terms as you would be entitled to hereunder if you terminate your employment for Good Reason, except that for purposes of implementing, the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "COMPANY" shall mean the Company as hereinbefore defined and any

successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise. This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees and/or legatees. This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in this Section 8. Without limiting the generality of the foregoing, your right to receive payments hereunder shall not be assignable or transferable, whether by pledge, creation of a security interest or otherwise, other than by a transfer by your will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 8, the Company shall have no liability to pay to the purported assignee or transferee any amount so attempted to be assigned or transferred. The Company and you recognize that each party will have no adequate remedy at law for any material breach by the other of any of the agreements contained herein and, in the event of any such breach, the Company and you hereby agree and consent that the other shall be entitled to a decree of specific performance, mandamus or other appropriate remedy to enforce performance of this Agreement.

9. NOTICES. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing, and shall be deemed to have been duly given when delivered by hand, or mailed by United States certified mail, return receipt requested, postage prepaid, or sent by Federal Express or similar overnight courier service, addressed to the respective addresses set forth on the first page of this Agreement, or sent by facsimile with confirmation of receipt to the respective facsimile numbers set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Secretary of the Company (or, if you are the Secretary at the time such notice is to be given, to the Chairman of the Company's Board of Directors), or to such other address or facsimile number as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address or facsimile number shall be effective only upon receipt.

10. NONCOMPETITION.

- (i) Until the Date of Termination, you agree not to engage in any Competitive Activity. For purposes of this Agreement, the term "COMPETITIVE ACTIVITY" shall mean your participation, without the written consent of an officer of the Company of higher rank and standing than yourself (and if there is no such person then by the Chairman of the Board of Directors), in the management of any business enterprise if such enterprise engages in substantial and direct competition with the Company (including without limitation any supplier to an original equipment automotive vehicle manufacturer) and such enterprise's sales of any product or service competitive with any product or service of the Company amounted to 25% of such enterprise's net sales for its most recently completed fiscal year and if the Company's net sales of said product or service amounted to 25% of the Company's net sales for its most recently completed fiscal year. "COMPETITIVE ACTIVITY" shall not include (i) the mere ownership of securities in any enterprise

and exercise of rights appurtenant thereto or (ii) participation in management of any enterprise or business operation thereof other than in connection with the competitive operation of such enterprise.

- (ii) You agree not to engage in any Competitive Activity (A) until one (1) year after the Date of Termination if you are terminated for Cause or you terminate your employment for other than Good Reason or Constructive Termination after a Change in Control, or (B) until three (3) years after the Date of Termination if you are terminated by the Company other than for Cause or you terminate your employment for Good Reason or Constructive Termination after a Change in Control.
- (iii) You shall not directly or indirectly, either on your own account or with or for anyone else, (A) solicit or attempt to solicit any of the Company's customers (B) solicit or attempt to solicit for any business endeavor any employee of the Company or (C) otherwise divert or attempt to divert from the Company any business whatsoever or interfere with any business relationship between the Company and any other person, (a) until one (1) year after the Date of Termination if you are terminated for Cause or you terminate your employment for other than Good Reason or Constructive Termination after a Change in Control, or (b) until three (3) years after the Date of Termination if you are terminated other than for Cause or you terminate your employment for Good Reason or Constructive Termination after a Change in Control.
- (iv) You acknowledge and agree that damages for breach of the covenants in this Section 10 will be difficult to determine and will not afford a full and adequate remedy, and therefore agree that the Company, in addition to seeking actual damages pursuant to Section 10 hereof, may seek specific enforcement of the covenant not to compete in any court of competent jurisdiction, including, without limitation, by the issuance of a temporary or permanent injunction, without the necessity of a bond. You and the Company agree that the provisions of this covenant not to compete are reasonable. However, should any court or arbitrator determine that any provision of this covenant not to compete is unreasonable, either in period of time, geographical area, or otherwise, the parties agree that this covenant not to compete should be interpreted and enforced to the maximum extent which such court or arbitrator deems reasonable.
- (v) As compensation for your covenants contained in Sections 10(ii)(B) and 10(iii)(b), the Company shall pay or cause to be paid to you a payment, which shall be made either (i) if mutually agreed to by you (or your estate or other representative) and the Company as of the Date of Termination, in a lump sum within five business days after the Termination Date in an amount equal to the present value of the Noncompete Payment (as defined below), using a discount rate equal to the applicable interest rate promulgated by the Internal Revenue Service ("IRS") under Section 417(e)(3) of the Internal Revenue Code of 1986, as amended ("CODE") for the third month preceding the month in which the Termination Date



occurs, and if the IRS ceases to promulgate such interest rates, the last such interest rate so promulgated, or (ii) in the absence of such an agreement, in installments, without interest (with exceptions for any amounts imputed or otherwise deemed or recharacterized as interest under the Code) in thirty-six (36) equal monthly installments with each such monthly installment payment equal to 1/36th of the aggregate amount of the Noncompete Payment. The "NONCOMPETE PAYMENT" shall be equal to the sum of:

- (i) the aggregate base salary (at the highest rate in effect at any time during the Term) which you would have received pursuant to this Agreement for one year, had your employment with the Company continued for such period; plus
- (ii) the aggregate Bonus (based upon the highest annual Bonus that you received with respect to any calendar year during, the three calendar years immediately preceding the calendar year in which the Termination Date occurred) which you would have received pursuant to this Agreement for one year, had your employment with the Company continued for such period plus
- (iii) the cash value of all benefits that would be payable to you under the Company Pension Equalization Plan ("PEP"), the Company Management Stock Purchase Plan ("MSPP"), the Company Executive Supplemental Savings Plan ("ESSP"), and the Company Long-Term Stock Incentive Plan ("LTSIP") (the PEP, MSPP, ESSP and LTSIP are collectively referred to herein as the "PLANS"), (based upon the highest annual aggregate rate that you received benefits under each of the Plans with respect to any calendar year during the three calendar years immediately preceding the calendar year in which the Termination Date occurs) pursuant to this Agreement for one year, had your employment with the Company continued for such period, other than Plan benefits providing base salary, Bonus and the benefits to be provided pursuant to Section 5(iv)(D) hereof.

You and the Company acknowledge that references in this Section 10(v) to the PEP, the MSPP, the ESSP, and the LTSIP, shall be deemed to be references to such plans as amended or restated from time to time and to any similar plan of the Company that supplements or supersedes any such plans; provided that any amendment during the Term that reduces benefits under the PEP, the MSPP, the ESSP, or the LTSIP (or any similar plan of the Company that supplements or supersedes any of such plans) in any way (including without limitation by reducing, the rate of benefit accruals or contribution levels under any of such plans, or by changing, the basis upon which actuarial equivalents are determined under any such plans) shall be disregarded for purposes of this Section 5(iv)(B). In addition, you and the Company acknowledge that references in this Section 10 to any Section of the Code shall be deemed to be references to such Section as amended from time to time or to any successor thereto.

11. CONFIDENTIALITY AND COOPERATION.

- (i) You shall not knowingly use, disclose or reveal to any unauthorized person, during, or after the Term, any trade secret or other confidential information relating to the Company or any of its affiliates, or any of their respective businesses or principals, such as, without limitation, dealers' or distributor's lists, information regarding personnel and manufacturing processes, marketing and sales plans, and all other such information; and you confirm that such information is the exclusive property of the Company and its affiliates. Upon termination of your employment, you agree to return to the Company on demand by the Company all memoranda, books, papers, letters and other data, and all copies thereof or therefrom, in any way relating to the business of the Company and its affiliates, whether made by you or otherwise in your possession.
- (ii) Any design, engineering methods, techniques, discoveries, inventions (whether patentable or not), formulae, formulations, technical and product specifications, bill of materials, equipment descriptions, plans, layouts, drawings, computer programs, assembly, quality control, installation and operating procedures, operating manuals, strategic, technical or marketing information, designs, data, secret knowledge, know-how and all other information of a confidential nature prepared or produced during the period of your employment and which ideas, processes, etc. relate to any of the businesses of the Company, shall be owned by the Company and its affiliates whether or not you should in fact execute an assignment thereof or other instrument or document which may be reasonably necessary to protect and secure such rights to the Company.
- (iii) During the Term and for a period ending on the later of three (3) years after the Date of Termination or at the conclusion of any dispute which commences during the Term, you shall cooperate and comply with all reasonable requests made by the Company in prosecuting or defending any claim with respect to any litigation or arbitration or any pending or threatened litigation or arbitration, involving any invention, patent, trademark, trade name, secret process, or other intangible property in which the Company has, or reasonably believes it has, proprietary rights in and which you had substantial involvement in the development of during the Term of your employment. You shall not receive any additional compensation, other than reimbursement for reasonable costs and expenses incurred by you, in complying with the terms of this Section 11 (iii).

12. ARBITRATION.

- (i) Except as contemplated by Section 10(iv) or Section 12 (iii) hereof, any dispute or controversy arising under or in connection with this Agreement that cannot be mutually resolved by the parties to this Agreement and their respective advisors and representatives shall be settled exclusively by arbitration in Southfield, Michigan, before one arbitrator of exemplary qualifications and stature, who shall be selected jointly by an individual to be designated by the Company and an

individual to be selected by you, or if such two individuals cannot agree on the selection of the arbitrator, who shall be selected pursuant to the procedures of the American Arbitration Association.

- (ii) The parties agree to use their best efforts to cause (a) the two individuals set forth in the preceding Section 12(i), or, if applicable, the American Arbitration Association, to appoint the arbitrator within 30 days of the date that a party hereto notifies the other party that a dispute or controversy exists that necessitates the appointment of an arbitrator, and (b) any arbitration hearing to be held within 30 days of the date of selection of the arbitrator, and, as a condition to his or her selection, such arbitrator must consent to be available for a hearing, at such time.
- (iii) Judgment may be entered on the arbitrator's award in any court having jurisdiction, provided that you shall be entitled to seek specific performance of your right to be paid and to participate in benefit programs during the pendency of any dispute or controversy arising under or in connection with this Agreement. The Company and you hereby agree that the arbitrator shall be empowered to enter an equitable decree mandating specific performance of the terms of this Agreement. If any dispute under this Section 12 shall be pending, the Executive shall continue to receive at a minimum the base salary which the Executive was receiving immediately prior to the act or omission which forms the basis for the dispute.

- 13. MODIFICATIONS. No provision of this Agreement may be modified, amended, waived or discharged unless such modification, amendment, waiver or discharge is agreed to in writing and signed by both you and such officer of the Company as may be specifically designated by the Board.
- 14. NO IMPLIED WAIVERS. Failure of either party at any time to require performance by the other party of any provision hereof shall in no way affect the full right to require such performance at any time thereafter. Waiver by either party of a breach of any obligation hereunder shall not constitute a waiver of any succeeding breach of the same obligation. Failure of either party to exercise any of its rights provided herein shall not constitute a waiver of such right.
- 15. GOVERNING LAW. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Michigan without giving effect to any conflicts of laws rules.
- 16. PAYMENTS NET OF TAXES. Except as otherwise provided in Section 6 herein, any payments provided for herein which are subject to Federal, State local or other governmental tax or other withholding requirements or obligations, shall have such amounts withheld prior to payment, and the Company shall be considered to have fully satisfied its obligation hereunder by making such payments to you net of and after deduction for all applicable withholding obligations.

17. CAPACITY OF PARTIES. The parties hereto warrant that they have the capacity and authority to execute this Agreement.
18. VALIDITY. The invalidity or unenforceability of any provision of this Agreement shall not, at the option of the party for whose benefit such provision was intended, affect the validity or enforceability of any other provision of the Agreement, which shall remain in full force and effect.
19. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.
20. ENTIRE AGREEMENT. This Agreement and any attachments hereto, contain the entire agreement by the parties with respect to the matters covered herein and supersede any prior agreement (including without limitation any prior employment agreement), condition, practice, custom, usage and obligation with respect to such matters insofar as any such prior agreement, condition, practice, custom, usage or obligation might have given rise to any enforceable right. No agreements, understandings or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.
21. LEGAL FEES AND EXPENSES. It is the intent of the Company that you not be required to incur the expenses associated with the enforcement of your rights under this Agreement by litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be extended to you hereunder. Accordingly, if it should appear to you that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare the Agreement void or unenforceable or institutes any litigation designed to deny, or to recover from you the benefits intended to be provided to you hereunder, the Company irrevocably authorizes you from time to time to retain counsel of your choice, at the expense of the Company as hereafter provided, to represent you in connection with the initiation or defense of any litigation or other legal action relating, thereto, whether by or against the Company or any Director, officer, shareholder or other person affiliated with the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and any such counsel, the Company irrevocably consents to your entering into an attorney-client relationship with such counsel, and in that connection the Company and you agree that a confidential relationship shall exist between you and such counsel. The Company shall pay or cause to be paid and be solely responsible for any and all attorneys' and related fees and expenses incurred by you (i) as a result of the Company's failure to perform this Agreement or any provision hereof or (ii) as a result of the Company or any person contesting the validity or enforceability of this Agreement or any provision hereof as aforesaid.

If this letter sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject, effective on July 28, 2003 ("EFFECTIVE DATE").

Sincerely,

LEAR CORPORATION

By: /s/ Roger A. Jackson

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ROGER A. JACKSON

ACCEPTED:

Agreed to this 6th day of November 2003

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By: /s/ Daniel A. Ninivaggi

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DANIEL A. NINIVAGGI

## CERTIFICATION

I, Robert E. Rossiter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lear Corporation;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers 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)) 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 quarterly report is being prepared;
  - b) [Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986]
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly 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 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 officers 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.

Dated: November 10, 2003

By: /s/ Robert E. Rossiter

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Robert E. Rossiter  
Chairman and Chief Executive Officer

## CERTIFICATION

I, David C. Wajsgras, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lear Corporation;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers 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)) 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 quarterly report is being prepared;
  - b) [Paragraph deleted pursuant to SEC Release Nos. 33-8238 and 34-47986.]
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly 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 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 officers 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.

Dated: November 10, 2003

By: /s/ David C. Wajsgras

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David C. Wajsgras  
Senior Vice President and  
Chief Financial Officer

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 Quarterly Report of Lear Corporation (the "Company") on Form 10-Q for the period ended September 27, 2003 as filed with the Securities and Exchange Commission on the date hereof (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: November 10, 2003

Signed: /s/ Robert E. Rossiter  
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Robert E. Rossiter  
Chief Executive Officer

This written statement accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.



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 Quarterly Report of Lear Corporation (the "Company") on Form 10-Q for the period ended September 27, 2003 as filed with the Securities and Exchange Commission on the date hereof (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: November 10, 2003

Signed: /s/ David C. Wajsgras  
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David C. Wajsgras  
Chief Financial Officer

This written statement accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.