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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 **July 3, 2004.**

OR

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

For the transition period from __________ to __________.

Commission file number: 1-11311

LEAR CORPORATION

(Exact name of registrant as specified in its charter)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No o

As of July 23, 2004, the number of shares outstanding of the registrant's Common Stock, par value $0.01 per share, was 68,615,203.

LEAR CORPORATION

FORM 10-Q

FOR THE QUARTER ENDED JULY 3, 2004

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LEAR CORPORATION

PART I — FINANCIAL INFORMATION

ITEM 1 — CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION TO THE CONSOLIDATED FINANCIAL STATEMENTS

We have prepared the condensed consolidated financial statements of Lear Corporation and subsidiaries, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with 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 year ended December 31, 2003.

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)

	July 3, 2004	December 31, 2003
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 148.8	$ 169.3
Accounts receivable	2,497.8	2,200.3
Inventories	563.1	550.2
Recoverable customer engineering and tooling	185.5	169.0
Other	369.1	286.6
Total current assets	3,764.3	3,375.4
LONG-TERM ASSETS:		
Property, plant and equipment, net	1,808.5	1,817.8
Goodwill, net	2,928.9	2,940.1
Other	429.3	437.7
Total long-term assets	5,166.7	5,195.6
	$8,931.0	$8,571.0
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings	$ 6.8	$ 17.1
Accounts payable and drafts	2,570.6	2,444.1
Accrued liabilities	1,168.4	1,116.9
Current portion of long-term debt	609.6	4.0
Total current liabilities	4,355.4	3,582.1
LONG-TERM LIABILITIES:		
Long-term debt	1,433.0	2,057.2
Other	708.9	674.2
Total long-term liabilities	2,141.9	2,731.4
STOCKHOLDERS' EQUITY:		
Common stock, $0.01 par value, 150,000,000 shares authorized; 72,933,178 shares issued as of July 3, 2004 and 72,453,683 shares issued as of December 31, 2003	0.7	0.7
Additional paid-in capital	1,050.6	1,027.7
Common stock held in treasury, 4,325,975 shares as of July 3, 2004 and 4,291,302 shares as of December 31, 2003, at cost	(129.9)	(110.8)
Retained earnings	1,622.8	1,441.8
Accumulated other comprehensive loss	(110.5)	(101.9)
Total stockholders' equity	2,433.7	2,257.5
	$8,931.0	$8,571.0

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

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LEAR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited; in millions, except per share data)

	Three Months Ended		Six Months Ended	
	July 3, 2004	June 28, 2003	July 3, 2004	June 28, 2003
Net sales	$4,284.0	$4,101.2	$8,776.1	$7,999.9
Cost of sales	3,912.4	3,748.0	8,057.6	7,338.1
Selling, general and administrative expenses	158.7	141.5	326.4	288.2
Interest expense	39.2	48.3	78.3	100.7
Other expense, net	14.8	14.7	28.9	27.2
Income before provision for income taxes	158.9	148.7	284.9	245.7
Provision for income taxes	42.8	44.6	77.4	73.7
Net income	$ 116.1	$ 104.1	$ 207.5	$ 172.0
Basic net income per share	$ 1.69	$ 1.58	$ 3.03	$ 2.61
Diluted net income per share	$ 1.65	$ 1.54	$ 2.95	$ 2.55

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

LEAR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in millions)

	Six Months Ended	
	July 3, 2004	June 28, 2003
Cash Flows from Operating Activities:		
Net income	$ 207.5	$ 172.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	170.1	152.1
Net change in recoverable customer engineering and tooling	(5.4)	(28.6)
Net change in working capital items	(23.3)	57.3
Other, net	33.6	44.1
Net cash provided by operating activities before net change in sold accounts receivable	382.5	396.9
Net change in sold accounts receivable	(70.4)	(139.6)
Net cash provided by operating activities	312.1	257.3
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(192.6)	(137.3)
Deposit on acquisition	(73.9)	—
Other, net	1.6	10.5
Net cash used in investing activities	(264.9)	(126.8)
Cash Flows from Financing Activities:		
Long-term debt repayments, net	(12.2)	(113.0)
Short-term debt repayments, net	(10.0)	(5.2)
Dividends paid	(41.1)	—
Proceeds from exercise of stock options	16.6	11.1
Repurchase of common stock	(23.5)	(1.1)
Decrease in drafts	(0.3)	(13.1)
Net cash used in financing activities	(70.5)	(121.3)
Effect of foreign currency translation	2.8	2.2
Net Change in Cash and Cash Equivalents	(20.5)	11.4
Cash and Cash Equivalents as of Beginning of Period	169.3	91.7
Cash and Cash Equivalents as of End of Period	$ 148.8	$ 103.1
Changes in Working Capital:		
Accounts receivable	$(279.4)	$(552.3)
Inventories	(14.1)	23.7
Accounts payable	177.1	401.3
Accrued liabilities and other	93.1	184.6
Net change in working capital items	$ (23.3)	$ 57.3
Supplementary Disclosure:		
Cash paid for interest	$ 76.0	$ 95.0
Cash paid for income taxes	$ 88.2	$ 84.9

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 design and manufacture interior systems and components for automobiles and light trucks. The Company's main customers are automotive original equipment manufacturers. The Company operates facilities worldwide.

Certain amounts in the prior period's financial statements have been reclassified to conform to the presentation used in the quarter ended July 3, 2004.

(2) Stock-Based Compensation

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

	Three Months Ended		Six Months Ended	
	July 3, 2004	June 28, 2003	July 3, 2004	June 28, 2003
Net income, as reported	$116.1	$104.1	$207.5	$172.0
Add: Stock-based employee compensation expense included in reported net income, net of tax	2.3	1.1	4.9	1.6
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax	(5.2)	(5.4)	(11.4)	(11.0)
Net income, pro forma	$113.2	$ 99.8	$201.0	$162.6
Net income per share:				
Basic – as reported	$ 1.69	$ 1.58	$ 3.03	$ 2.61
Basic – pro forma	$ 1.65	$ 1.51	$ 2.93	$ 2.47
Diluted – as reported	$ 1.65	$ 1.54	$ 2.95	$ 2.55
Diluted – pro forma	$ 1.61	$ 1.48	$ 2.85	$ 2.41

(3) Facility Actions

The Company continually evaluates alternatives to align its business with the changing needs of its customers and to lower the operating costs of the Company. This may include the realignment of its existing manufacturing capacity, facility closures or similar actions. In December 2003, the Company initiated significant actions affecting two of its U.S. seating facilities. As a result of these actions, the Company recorded charges of $25.5 million for employee termination benefits and asset impairments in 2003. These actions were completed in the second quarter of 2004. Of the total costs associated with these facility actions, approximately $33 million related to employee termination benefits and asset impairment charges.

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

(4) Acquisition

On July 5, 2004, the Company completed its acquisition of the parent of GHW Grote & Hartmann GmbH ("Grote & Hartmann") for consideration of $160.2 million, including assumed debt of $86.3 million. This amount excludes the cost of integration, as well as other costs related to the transaction. Grote & Hartmann is based in Wuppertal, Germany and manufactures terminals and connectors, junction boxes and machinery to produce wire harnesses, primarily for the automotive industry. Grote & Hartmann had 2003 sales of approximately $275 million.

The Grote & Hartmann acquisition will be accounted for as a purchase, and accordingly, the assets purchased and liabilities assumed will be included in the consolidated balance sheet for the quarter ending October 2, 2004. The operating results of Grote & Hartmann will be included in the consolidated financial statements from the date of acquisition.

(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):

	July 3, 2004	December 31, 2003
Raw materials	$414.6	$399.1
Work-in-process	42.5	37.6
Finished goods	106.0	113.5
Inventories	$563.1	$550.2

(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):

	July 3, 2004	December 31, 2003
Land	$ 124.3	$ 124.6
Buildings and improvements	674.3	673.7
Machinery and equipment	2,574.5	2,501.5
Construction in progress	40.7	61.3
Total property, plant and equipment	3,413.8	3,361.1
Less – accumulated depreciation	(1,605.3)	(1,543.3)
Net property, plant and equipment	$ 1,808.5	$ 1,817.8

(7) Goodwill

A summary of the changes in the carrying amount of goodwill, by reportable operating segment, for the six months ended July 3, 2004, is shown below (in millions):

	Seating	Interior	Electronic and Electrical	Total
Balance as of December 31, 2003	$1,023.4	$1,022.9	$893.8	$2,940.1
Foreign currency translation and other	1.5	(7.4)	(5.3)	(11.2)
Balance as of July 3, 2004	$1,024.9	$1,015.5	$888.5	$2,928.9

(8) 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 16, "Financial Instruments," is shown below (in millions):

	July 3, 2004		December 31, 2003	
Debt Instrument	**Long-Term Debt**	**Weighted Average Interest Rate**	**Long-Term Debt**	**Weighted Average Interest Rate**
Zero-coupon Convertible Senior Notes, due 2022	$ 279.8	4.75%	$ 273.2	4.75%
8.125% Euro-denominated Senior Notes, due 2008	302.0	8.125%	313.8	8.125%
8.11% Senior Notes, due May 2009	800.0	7.48%	800.0	7.18%
7.96% Senior Notes, due May 2005	600.0	6.64%	600.0	6.36%
Other	60.8	4.39%	74.2	4.34%
	2,042.6		2,061.2	
Current portion	(609.6)		(4.0)	
Long-term debt	$1,433.0		$2,057.2	

As of July 3, 2004, the Company's primary credit facility consisted of a $1.7 billion amended and restated credit facility, which matures on March 26, 2006. The Company's $250 million revolving credit facility matured on May 4, 2004. As of July 3, 2004 and December 31, 2003, there were no amounts outstanding under the Company's primary credit facility.

The Company's primary credit facility contains numerous 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 modification of debt instruments. The Company's 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 to any person. As of July 3, 2004, the Company was in compliance with all covenants and other requirements set forth in its primary credit facility and senior notes.

The Company's obligations under its primary credit facility and senior notes are guaranteed, on a joint and several basis, by certain of its significant subsidiaries, all of which are directly or indirectly 100%-owned by Lear. See Note 18, "Supplemental Guarantor Condensed Consolidating Financial Statements."

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

(9) Pension and Other Postretirement Benefit Plans

Net Periodic Benefit Cost

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

	Pension		Other Postretirement	
	Three Months Ended		Three Months Ended	
	July 3, 2004	June 28, 2003	July 3, 2004	June 28, 2003
Service cost	$10.5	$ 8.4	$ 3.6	$ 3.7
Interest cost	9.3	7.1	3.1	3.1
Expected return on plan assets	(7.0)	(4.4)	—	—
Amortization of actuarial loss	0.8	0.7	1.0	0.7
Amortization of transition (asset) obligation	(0.1)	0.1	0.3	0.5
Amortization of prior service cost	1.4	1.0	(0.7)	(0.1)
Special termination benefits	—	—	0.1	—
Curtailment gain	—	—	(7.7)	—
Net periodic benefit cost	$14.9	$12.9	$(0.3)	$ 7.9

	Pension		Other Postretirement	
	Six Months Ended		Six Months Ended	
	July 3, 2004	June 28, 2003	July 3, 2004	June 28, 2003
Service cost	$ 21.3	$16.8	$ 7.2	$ 7.4
Interest cost	18.9	14.2	6.2	6.2
Expected return on plan assets	(14.2)	(8.8)	—	—
Amortization of actuarial loss	1.6	1.4	2.0	1.4
Amortization of transition (asset) obligation	(0.2)	0.2	0.6	1.0
Amortization of prior service cost	2.7	2.0	(1.4)	(0.2)
Special termination benefits	0.1	—	0.2	—
Curtailment gain	—	—	(7.7)	—
Net periodic benefit cost	$ 30.2	$25.8	$ 7.1	$15.8

Contributions

Employer contributions to the Company's domestic and foreign pension plans for the three and six months ended July 3, 2004, were approximately $10.9 million and $15.1 million, respectively. The Company expects to contribute an additional $20 million to $25 million, in aggregate, to its domestic and foreign pension portfolios in the second half of 2004.

New Legislation

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") was enacted. The Act introduced a prescription drug benefit under Medicare (Medicare Part D), as well as a federal subsidy to sponsors of certain other postretirement benefit plans that provide prescription drug benefits at least actuarially equivalent to Medicare Part D.

In May 2004, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," which provides the applicable accounting guidance related to the federal subsidy. In accordance with the transition provisions of FSP 106-2, the Company will reflect the effects of the Act in its measurement of the postretirement benefit obligation and net periodic postretirement benefit cost in the quarter ending October 2, 2004. The effects of the Act are not reflected in the consolidated financial statements included in this Report or in the notes thereto. The Company does not expect the effects of adoption to be significant.

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

(10) Other Expense, Net

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

	Three Months Ended		Six Months Ended	
	July 3, 2004	June 28, 2003	July 3, 2004	June 28, 2003
Other expense	$18.1	$ 27.0	$35.2	$32.8
Other income	(3.3)	(12.3)	(6.3)	(5.6)
Other expense, net	$14.8	$ 14.7	$28.9	$27.2

(11) Net Income Per Share

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

	Three Months Ended		Six Months Ended	
	July 3, 2004	June 28, 2003	July 3, 2004	June 28, 2003
Weighted average common shares outstanding	68,749,259	66,039,149	68,594,681	65,912,058
Dilutive effect of common stock equivalents	1,535,066	1,621,109	1,834,945	1,617,188
Diluted shares outstanding	70,284,325	67,660,258	70,429,626	67,529,246

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		Six Months Ended	
	July 3, 2004	June 28, 2003	July 3, 2004	June 28, 2003
Antidilutive options	—	2,367,450	—	2,387,450
Exercise price	—	$41.83 - $54.22	—	$39.83 - $54.22

The 4,813,056 shares issuable upon conversion of the Company’s outstanding zero-coupon convertible senior notes are not included in the computation of diluted shares outstanding, as none of the contingent conversion events set forth in the notes has occurred and the Company intends to satisfy any repurchase obligation with respect to the convertible, such as the Company’s zero-coupon convertible senior notes, senior notes for cash. For further information related to the zero-coupon convertible senior notes, see Note 8, “Long-Term Debt,” to the consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2003.

In December 2003, the FASB issued an exposure draft on Proposed SFAS, “Earnings per Share – an amendment of FASB Statement No. 128.” The proposed statement would eliminate the current provisions within SFAS No. 128, “Earnings per Share,” which allow an entity to overcome the presumption that contracts that can be settled in cash or stock would be settled in stock. If the proposed statement is issued as a final statement, the provisions are expected to be effective for reporting periods beginning after December 15, 2004. All prior period net income per share amounts presented would be restated to conform to the provisions of the final statement.

In July 2004, the Emerging Issues Task Force (“EITF”) reached a tentative consensus on EITF Issue No. 04-08, “The Effect of Contingently Convertible Debt on Diluted Earnings per Share,” that the impact of contingently convertible debt, such as the Company’s zero-coupon convertible senior notes, should be included in diluted net income per share computations regardless of whether the market price trigger has been met. If the EITF’s tentative consensus is ratified by the FASB, the provisions are expected to be effective for reporting periods ending after December 15, 2004. All prior period net income per share amounts presented would be restated to conform to the provisions of the final EITF.

The Company is currently assessing the potential impact of these proposed accounting standards.

(12) Comprehensive Income

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

	Three Months Ended		Six Months Ended	
	July 3, 2004	June 28, 2003	July 3, 2004	June 28, 2003
Net income	$116.1	$104.1	$207.5	$172.0
Other comprehensive income (loss):				
Derivative instruments and hedging activities	9.1	10.2	9.7	8.4
Foreign currency translation adjustment	0.1	58.3	(18.3)	55.3
Other comprehensive income (loss)	9.2	68.5	(8.6)	63.7
Comprehensive income	$125.3	$172.6	$198.9	$235.7

(13) 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 non-cancelable right to use the tooling. During the first six months of 2004 and 2003, the Company capitalized $105.5 million and $74.8 million, respectively, of pre-production ER&D costs for which reimbursement is contractually guaranteed by the customer. In addition, during the first six months of 2004 and 2003, the Company capitalized $210.8 million and $172.5 million, respectively, of pre-production tooling costs related to customer-owned tools for which reimbursement is contractually guaranteed by the customer or for which the customer has provided a non-cancelable right to use the tooling. These amounts are included in recoverable customer engineering and tooling and other long-term assets in the consolidated balance sheets. During the six months ended July 3, 2004 and June 28, 2003, the Company collected $302.0 million and $184.6 million, respectively, of cash related to ER&D and tooling costs.

During the first six months of 2004 and 2003, the Company capitalized $21.5 million and $15.1 million, respectively, of Company-owned tooling. These amounts are included in property, plant and equipment, net, in the consolidated balance sheets.

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

	July 3, 2004	December 31, 2003
Current	$185.5	$169.0
Long-term	215.0	233.5
Recoverable customer engineering and tooling	$400.5	$402.5

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

(14) Legal and Other Contingencies

Commercial Disputes

The Company is involved from time to time in legal proceedings or claims relating to commercial or contractual disputes, including disputes with its suppliers. The Company will continue to vigorously defend itself against these claims. Based on present

LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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information, including the Company's assessment of the merits of the particular claims, the Company does not expect that these legal proceedings or claims, either individually or in the aggregate, will have a material adverse effect on its business, consolidated financial position or results of operations, although the outcomes of these matters are inherently uncertain. As of July 3, 2004 and December 31, 2003, the Company had recorded reserves for pending disputes, including commercial disputes and other matters, of $35.5 million and $40.9 million, respectively. Such reserves reflect amounts recognized in accordance with accounting principles generally accepted in the United States and typically exclude the cost of legal representation.

On January 29, 2002, Seton Company, one of the Company's leather suppliers, filed a suit alleging that the Company had breached a purported agreement to purchase leather from Seton for seats for the life of the General Motors GMT 800 program. This suit presently is pending in the U.S. District Court for the Eastern District of Michigan. Seton seeks compensatory and exemplary damages on the remaining claims of contract breach and promissory estoppel. The Court has dismissed Seton's other claims for damages. The Company has filed a counterclaim. The Company believes that it has significant defenses and intends to vigorously contest Seton's claims. As of the date of this Report, discovery is continuing, and the trial is scheduled for the first quarter of 2005.

Product Liability Matters

In the event that use of the Company's products results in, or is alleged to result in, bodily injury and/or property damage or other losses, the Company may be subject to product liability lawsuits and other claims. In addition, the Company is a party to warranty-sharing and other agreements with its customers relating to its products. These customers may pursue claims against the Company for contribution of all or a portion of the amounts sought in connection with product liability and warranty claims. The Company can provide no assurances that it will not experience material claims in the future or that it will not incur significant costs to defend such claims. In addition, if any of the Company's products are, or are alleged to be, defective, the Company may be required or requested by its customers to participate in a recall or other corrective action involving such products. The Company carries insurance for certain legal matters, including product liability claims, but such coverage may be limited. The Company does not maintain insurance for recall matters, as such insurance is not generally available.

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

A summary of the changes in product warranty liabilities for the six months ended July 3, 2004, is shown below (in millions):

Balance as of December 31, 2003	$39.7
Expense, net	9.9
Settlements and other	(1.7)
Balance as of July 3, 2004	$47.9

Environmental Matters

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

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

As of July 3, 2004 and December 31, 2003, the Company had recorded reserves for environmental matters of $4.7 million and $4.8 million, respectively. While the Company does not believe that the environmental liabilities associated with its current and former properties will have a material adverse effect on its business, consolidated financial position or results of future operations, no assurances can be given in this regard.

One of the Company's subsidiaries and certain predecessor companies were named as defendants in an action filed by three plaintiffs in August 2001 in the Circuit Court of Lowndes County, Mississippi asserting claims stemming from alleged environmental contamination caused by an automobile parts manufacturing plant located in Columbus, Mississippi. The plant was acquired by the Company as part of the UT Automotive acquisition in May 1999 and sold almost immediately thereafter, in June 1999, to Johnson Electric Holdings Limited ("Johnson Electric"). In December 2002, approximately 61 additional cases were filed by approximately 1,000 plaintiffs in the same court against the Company and other defendants relating to similar claims. In September 2003, the Company was dismissed as a party to these cases. In the first half of 2004, the Company was named again as a defendant in these same 61 cases and was also named in five new actions filed by approximately 100 individual plaintiffs related to alleged environmental contamination from the same facility. The plaintiffs in these actions are persons who allegedly were either residents and/or owned property near the facility or worked at the facility. Each of these complaints seeks compensatory and, in certain cases, punitive damages. To date, there has been limited discovery in these cases and the probability of liability and the amount of damages in the event of liability are unknown. UTC, the former owner of UT Automotive, and Johnson Electric have each sought indemnification from the Company under the respective acquisition agreements, and the Company has claimed indemnification from them under the same agreements. To date, no company admits to, or has been found to have, an obligation to fully defend and indemnify any other. The Company intends to vigorously defend against these claims and believes that it will eventually be indemnified by either UTC or Johnson Electric for resulting losses, if any.

Other Matters

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

In January 2004, the U.S. Securities and Exchange Commission ("SEC") commenced an informal inquiry into the Company's September 2002 amendment of its 2001 Form 10-K. The amendment was filed to report the Company's employment of relatives of certain of its directors and officers and certain related-party transactions. The SEC has advised the Company that the inquiry should not be construed as an indication by the Commission or its staff that any violations of law have occurred or as an adverse reflection upon any person or security. The Company is cooperating with the SEC's inquiry.

(15) 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 products and electrical distribution systems, primarily wire harnesses and junction boxes; interior control and entertainment systems; and wireless 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.

LEAR CORPORATION AND SUBSIDIARIES
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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 July 3, 2004				
	Seating	Interior	Electronic and Electrical	Other	Consolidated
Revenues from external customers	$2,888.0	$ 739.1	$ 656.9	$ —	$4,284.0
Income before interest, other expense and income taxes	188.5	20.0	58.7	(54.3)	212.9
Depreciation	34.9	26.9	19.5	5.7	87.0
Capital expenditures	63.7	25.2	23.7	2.7	115.3
Total assets	4,251.7	2,398.2	2,236.8	44.3	8,931.0

	Three Months Ended June 28, 2003				
	Seating	Interior	Electronic and Electrical	Other	Consolidated
Revenues from external customers	$2,824.4	$ 714.9	$ 561.9	$ —	$4,101.2
Income before interest, other expense and income taxes	178.7	22.9	50.8	(40.7)	211.7
Depreciation	33.8	26.5	17.2	0.2	77.7
Capital expenditures	16.6	28.1	18.5	3.8	67.0
Total assets	3,650.5	2,485.9	2,024.7	203.9	8,365.0

	Six Months Ended July 3, 2004				
	Seating	Interior	Electronic and Electrical	Other	Consolidated
Revenues from external customers	$5,895.8	$1,556.4	$1,323.9	$ —	$8,776.1
Income before interest, other expense and income taxes	336.7	48.7	117.4	(110.7)	392.1
Depreciation	67.4	54.0	37.3	11.4	170.1
Capital expenditures	97.9	46.5	45.5	2.7	192.6
Total assets	4,251.7	2,398.2	2,236.8	44.3	8,931.0

	Six Months Ended June 28, 2003				
	Seating	Interior	Electronic and Electrical	Other	Consolidated
Revenues from external customers	$5,521.4	$1,392.6	$1,085.9	$ —	$7,999.9
Income before interest, other expense and income taxes	315.7	52.0	102.7	(96.8)	373.6
Depreciation	65.4	52.2	34.0	0.5	152.1
Capital expenditures	30.6	57.7	44.1	4.9	137.3
Total assets	3,650.5	2,485.9	2,024.7	203.9	8,365.0

In 2004, the Company changed its allocation of goodwill. Goodwill, previously reflected in “Other,” has been allocated to the reportable operating segments. Total assets by reportable operating segment as of June 28, 2003, reflect this change.

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

A reconciliation of consolidated income before interest, other expense and income taxes to consolidated income before provision for income taxes is shown below (in millions):

	Three Months Ended		Six Months Ended	
	July 3, 2004	June 28, 2003	July 3, 2004	June 28, 2003
Income before interest, other expense and income taxes	$212.9	$211.7	$392.1	$373.6
Interest expense	39.2	48.3	78.3	100.7
Other expense, net	14.8	14.7	28.9	27.2
Income before provision for income taxes	$158.9	$148.7	$284.9	$245.7

(16) Financial Instruments

From time to time, certain of the Company's European subsidiaries factor their accounts receivable with financial institutions. Such receivables are factored without recourse to the Company and are not included in accounts receivable in the consolidated balance sheets. As of July 3, 2004, there were no factored accounts receivable. As of December 31, 2003, the amount of factored receivables was $70.6 million.

Asset-backed Securitization Agreement

Under an asset-backed securitization facility, the Company and several of its U.S. subsidiaries sell certain accounts receivable to a wholly-owned, consolidated, bankruptcy-remote special purpose corporation (Lear ASC Corporation). In turn, Lear ASC Corporation transfers undivided interests in up to $200 million of the receivables to bank-sponsored commercial-paper conduits. As of July 3, 2004 and December 31, 2003, accounts receivable totaling $579.0 million and $671.1 million, respectively, had been transferred to Lear ASC Corporation, but no undivided interests in the receivables were transferred to the conduits. As such, these amounts are included in accounts receivable in the consolidated balance sheets. A discount on the sale of receivables of $0.5 million and $0.8 million was recognized in the three months ended July 3, 2004 and June 28, 2003, respectively, and $0.9 million and $1.5 million was recognized in the six months ended July 3, 2004 and June 28, 2003, respectively. This discount is reflected in other expense, net in the accompanying consolidated statements of income.

The Company retains a subordinated ownership interest in the pool of receivables sold to Lear ASC Corporation. 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 related to the sold receivables. The Company retains a risk of repayment to the extent of its subordinated ownership interest in the pool of sold receivables.

The following table summarizes certain cash flows received from and paid to Lear ASC Corporation (in millions):

	Three Months Ended		Six Months Ended	
	July 3, 2004	June 28, 2003	July 3, 2004	June 28, 2003
Repayments of securitizations	$ —	$ (85.3)	$ —	$ (115.4)
Proceeds from collections reinvested in securitizations	1,406.9	1,213.4	2,586.5	2,380.8
Servicing fees received	1.4	1.4	2.8	2.7

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, Canadian dollar and the Euro. Forward foreign exchange and futures contracts are accounted for as fair value hedges when the hedged item is a recognized asset or liability or an unrecognized firm commitment. As of July 3, 2004, contracts designated as fair value hedges with $1.2 billion of notional amount were outstanding with maturities of less than three months. As of July 3, 2004, the fair value of these contracts was approximately $2.8 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 July 3, 2004, contracts designated as cash flow hedges with $556.4 million of notional amount were outstanding with maturities of less than 18 months. As of July 3, 2004, the fair value of these foreign exchange contracts was approximately negative $2.9 million.

Interest rate swap contracts — The Company uses interest rate swap contracts to manage its exposure to fluctuations in interest rates. Interest rate swap contracts which fix the interest payments of certain variable rate debt instruments or fix the market rate component of anticipated fixed rate debt instruments are accounted for as cash flow hedges. Interest rate swap contracts which hedge the change in fair market value of certain fixed rate debt instruments are accounted for as fair value hedges. As of July 3, 2004, contracts representing $900.0 million of notional amount were outstanding with maturity dates of August 2004 through May 2009. Of these contracts, $300.0 million are designated as cash flow hedges and hedge the interest rate risk of anticipated long-term debt issuance, and $600.0 million are designated as fair value hedges and modify the fixed rate characteristics of the Company's outstanding long-term debt with fixed coupons and maturities of 7.96% in May 2005 and 8.11% in May 2009. These contracts effectively convert the fixed coupon liabilities into variable rate obligations with coupons of six-month LIBOR plus a weighted average of 2.78% and 3.80%, respectively. The fair value of all outstanding interest rate swap agreements is subject to changes in value due to changes in interest rates. As of July 3, 2004, the fair value of all outstanding interest rate swap agreements was approximately negative $12.0 million.

As of July 3, 2004 and December 31, 2003, net gains of approximately $1.1 million and net losses of approximately $13.7 million, respectively, related to derivative instruments and hedging activities were recorded in accumulated other comprehensive loss. Net losses of $1.8 million and $6.2 million in the three months ended July 3, 2004 and June 28, 2003, respectively, and $3.3 million and $12.6 million in the six months ended July 3, 2004 and June 28, 2003, respectively, related to the Company's hedging activities were reclassified from accumulated other comprehensive loss into earnings. As of July 3, 2004, all cash flow hedges were scheduled to mature within 18 months, all fair value hedges of the Company's fixed rate debt instruments were scheduled to mature within 5 years, and all fair value hedges of the Company's foreign exchange exposure were scheduled to mature within three months. During the twelve month period ended July 2, 2005, the Company expects to reclassify into earnings net losses of approximately $5.1 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 six months ended July 3, 2004 and June 28, 2003, amounts recognized in the consolidated statements of income 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 8.125% Euro-denominated senior notes (Note 8) as a net investment hedge of long-term investments in its Euro-functional subsidiaries. As of July 3, 2004, the amount recorded in cumulative translation adjustment related to the effective portion of the net investment hedge of foreign operations was approximately negative $78.7 million.

(17) Accounting Pronouncements

Pensions and Other Postretirement Benefits

The FASB issued a revised SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." This statement retains the original pension and other postretirement benefits disclosures of SFAS No. 132 and requires additional disclosures for both annual and interim periods. Additional annual reporting requirements related to plan assets, accumulated benefit obligations and expected plan contributions are effective for fiscal years ending after December 15, 2003, for domestic plans, and for fiscal years ending after June 15, 2004, for foreign plans. Additional annual reporting requirements related to estimated future benefit payments are effective for fiscal years ending after June 15, 2004, for both domestic and foreign plans. Additional interim reporting requirements related to the components of net periodic benefit cost, contributions paid and significant changes in assumptions are effective for interim periods beginning after December 15, 2003, for both domestic and foreign plans. All interim disclosures required by this statement have been reflected in Note 9, "Pension and Other Postretirement Benefit Plans."

Variable Interest Entities

The FASB issued Interpretation ("FIN") No. 46 (revised December 2003), "Consolidation of Variable Interest Entities," the provisions of which apply immediately to any variable interest entity created after January 31, 2003, apply no later than the first period ending after December 15, 2003, to special purpose corporations, and apply in the first interim period ending after March 15, 2004, to any variable interest entity created prior to February 1, 2003. This interpretation requires the consolidation of a variable interest entity by its primary beneficiary and may require the consolidation of a portion of a variable interest entity's assets or liabilities under certain circumstances. The Company adopted the requirements of FIN No. 46 as of April 3, 2004. Such requirements related primarily to the Company’s investments in affiliates. The effects of adoption were not significant.

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

(18) Supplemental Guarantor Condensed Consolidating Financial Statements

	July 3, 2004				
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
	(Unaudited; in millions)				
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 53.6	$ 10.8	$ 84.4	$ —	$ 148.8
Accounts receivable	46.3	387.2	2,064.3	—	2,497.8
Inventories	18.1	169.3	375.7	—	563.1
Recoverable customer engineering and tooling	17.5	96.8	71.2	—	185.5
Other	84.6	51.4	233.1	—	369.1
Total current assets	220.1	715.5	2,828.7	—	3,764.3
LONG-TERM ASSETS:					
Property, plant and equipment, net	161.5	737.2	909.8	—	1,808.5
Goodwill, net	101.1	1,906.6	921.2	—	2,928.9
Investments in subsidiaries	3,534.4	2,218.1	—	(5,752.5)	—
Other	109.5	66.3	253.5	—	429.3
Total long-term assets	3,906.5	4,928.2	2,084.5	(5,752.5)	5,166.7
	$4,126.6	$5,643.7	$4,913.2	$(5,752.5)	$8,931.0
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Short-term borrowings	$ —	$ 0.2	$ 6.6	$ —	$ 6.8
Accounts payable and drafts	183.5	751.8	1,635.3	—	2,570.6
Accrued liabilities	137.4	398.2	632.8	—	1,168.4
Current portion of long-term debt	605.8	2.1	1.7	—	609.6
Total current liabilities	926.7	1,152.3	2,276.4	—	4,355.4
LONG-TERM LIABILITIES:					
Long-term debt	1,405.2	11.3	16.5	—	1,433.0
Intercompany accounts, net	(918.8)	1,611.9	(693.1)	—	—
Other	279.8	187.3	241.8	—	708.9
Total long-term liabilities	766.2	1,810.5	(434.8)	—	2,141.9
STOCKHOLDERS' EQUITY	2,433.7	2,680.9	3,071.6	(5,752.5)	2,433.7
	$4,126.6	$5,643.7	$4,913.2	$(5,752.5)	$8,931.0

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(18) Supplemental Guarantor Condensed Consolidating Financial Statements – (continued)

	December 31, 2003				
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
			(In millions)		
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 40.9	$ 9.7	$ 118.7	$ —	$ 169.3
Accounts receivable	17.9	331.0	1,851.4	—	2,200.3
Inventories	10.2	188.0	352.0	—	550.2
Recoverable customer engineering and tooling	(11.1)	86.5	93.6	—	169.0
Other	97.3	57.8	131.5	—	286.6
Total current assets	155.2	673.0	2,547.2	—	3,375.4
LONG-TERM ASSETS:					
Property, plant and equipment, net	127.4	765.8	924.6	—	1,817.8
Goodwill, net	100.2	1,906.7	933.2	—	2,940.1
Investments in subsidiaries	3,320.4	2,029.7	—	(5,350.1)	—
Other	96.9	70.4	270.4	—	437.7
Total long-term assets	3,644.9	4,772.6	2,128.2	(5,350.1)	5,195.6
	$ 3,800.1	$5,445.6	$4,675.4	$(5,350.1)	$8,571.0
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Short-term borrowings	$ 0.3	$ 0.1	$ 16.7	$ —	$ 17.1
Accounts payable and drafts	128.7	749.1	1,566.3	—	2,444.1
Accrued liabilities	148.3	379.9	588.7	—	1,116.9
Current portion of long-term debt	—	1.6	2.4	—	4.0
Total current liabilities	277.3	1,130.7	2,174.1	—	3,582.1
LONG-TERM LIABILITIES:					
Long-term debt	2,027.0	12.8	17.4	—	2,057.2
Intercompany accounts, net	(1,024.8)	1,496.8	(472.0)	—	—
Other	263.1	180.6	230.5	—	674.2
Total long-term liabilities	1,265.3	1,690.2	(224.1)	—	2,731.4
STOCKHOLDERS' EQUITY	2,257.5	2,624.7	2,725.4	(5,350.1)	2,257.5
	$ 3,800.1	$5,445.6	$4,675.4	$(5,350.1)	$8,571.0

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(18) Supplemental Guarantor Condensed Consolidating Financial Statements – (continued)

	For the Three Months Ended July 3, 2004				
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
	(Unaudited; in millions)				
Net sales	$274.6	$1,948.2	$2,721.0	$(659.8)	$4,284.0
Cost of sales	296.3	1,758.6	2,517.3	(659.8)	3,912.4
Selling, general and administrative expenses	45.7	46.0	67.0	—	158.7
Interest (income) expense	(9.5)	39.3	9.4	—	39.2
Intercompany (income) expense, net	(73.3)	84.7	(11.4)	—	—
Other (income) expense, net	(15.8)	3.8	26.8	—	14.8
Income before provision for income taxes and equity in net income of subsidiaries	31.2	15.8	111.9	—	158.9
Provision for income taxes	0.7	14.5	27.6	—	42.8
Equity in net income of subsidiaries	(85.6)	(69.4)	—	155.0	—
Net income	$116.1	$ 70.7	$ 84.3	$(155.0)	$ 116.1

	For the Three Months Ended June 28, 2003				
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
	(Unaudited; in millions)				
Net sales	$265.9	$2,017.6	$2,444.4	$(626.7)	$4,101.2
Cost of sales	261.9	1,806.5	2,306.3	(626.7)	3,748.0
Selling, general and administrative expenses	33.2	42.5	65.8	—	141.5
Interest expense	14.6	14.3	19.4	—	48.3
Intercompany (income) expense, net	(93.0)	92.9	0.1	—	—
Other (income) expense, net	(3.2)	4.3	13.6	—	14.7
Income before provision for income taxes and equity in net income of subsidiaries	52.4	57.1	39.2	—	148.7
Provision for income taxes	10.0	31.7	2.9	—	44.6
Equity in net income of subsidiaries	(61.7)	(45.0)	—	106.7	—
Net income	$104.1	$ 70.4	$ 36.3	$(106.7)	$ 104.1

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LEAR CORPORATION AND SUBSIDIARIES
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(Continued)

(18) Supplemental Guarantor Condensed Consolidating Financial Statements – (continued)

	For the Six Months Ended July 3, 2004				
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
	(Unaudited; in millions)				
Net sales	$ 512.3	$4,048.6	$5,573.0	$(1,357.8)	$8,776.1
Cost of sales	566.7	3,674.6	5,174.1	(1,357.8)	8,057.6
Selling, general and administrative expenses	81.1	104.9	140.4	—	326.4
Interest expense	2.5	57.6	18.2	—	78.3
Intercompany (income) expense, net	(171.8)	188.7	(16.9)	—	—
Other (income) expense, net	(17.6)	10.8	35.7	—	28.9
Income before provision (credit) for income taxes and equity in net income of subsidiaries	51.4	12.0	221.5	—	284.9
Provision (credit) for income taxes	(0.2)	25.1	52.5	—	77.4
Equity in net income of subsidiaries	(155.9)	(104.2)	—	260.1	—
Net income	$ 207.5	$ 91.1	$ 169.0	$ (260.1)	$ 207.5

	For the Six Months Ended June 28, 2003				
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
	(Unaudited; in millions)				
Net sales	$ 538.9	$4,026.5	$4,671.2	$(1,236.7)	$7,999.9
Selling, general and administrative expenses	66.5	90.7	131.0	—	288.2
Cost of sales	538.6	3,637.3	4,398.9	(1,236.7)	7,338.1
Selling, general and administrative expenses	66.5	90.7	131.0	—	288.2
Interest expense	37.9	30.4	32.4	—	100.7
Intercompany (income) expense, net	(193.4)	176.1	17.3	—	—
Other expense, net	2.8	19.5	4.9	—	27.2
Income before provision (credit) for income taxes and equity in net income of subsidiaries	86.5	72.5	86.7	—	245.7
Provision (credit) for income taxes	16.5	69.7	(12.5)	—	73.7
Equity in net income of subsidiaries	(102.0)	(67.8)	—	169.8	—
Net income	$ 172.0	$ 70.6	$ 99.2	$ (169.8)	$ 172.0

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(18) Supplemental Guarantor Condensed Consolidating Financial Statements – (continued)

	For the Six Months Ended July 3, 2004				
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
	(Unaudited; in millions)				
Net cash provided by operating activities	$ 90.1	$ 52.0	$ 170.0	$ —	$ 312.1
Cash Flows from Investing Activities:					
Additions to property, plant and equipment	(45.1)	(55.9)	(91.6)	—	(192.6)
Deposit on acquisition	—	—	(73.9)	—	(73.9)
Other, net	(5.0)	7.0	(0.4)	—	1.6
Net cash used in investing activities	(50.1)	(48.9)	(165.9)	—	(264.9)
Cash Flows from Financing Activities:					
Long-term debt repayments, net	(10.8)	(0.5)	(0.9)	—	(12.2)
Short-term debt repayments, net	(0.3)	0.1	(9.8)	—	(10.0)
Dividends paid	(41.1)	—	—	—	(41.1)
Proceeds from exercise of stock options	16.6	—	—	—	16.6
Repurchase of common stock	(23.5)	—	—	—	(23.5)
Decrease in drafts	8.1	(6.6)	(1.8)	—	(0.3)
Change in intercompany accounts	23.7	3.6	(27.3)	—	—
Net cash used in financing activities	(27.3)	(3.4)	(39.8)	—	(70.5)
Effect of foreign currency translation	—	1.4	1.4	—	2.8
Net Change in Cash and Cash Equivalents	12.7	1.1	(34.3)		(20.5)
Cash and Cash Equivalents as of Beginning of Period	40.9	9.7	118.7	—	169.3
Cash and Cash Equivalents as of End of Period	$ 53.6	$ 10.8	$ 84.4	$ —	$ 148.8

	For the Six Months Ended June 28, 2003				
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
	(Unaudited; in millions)				
Net cash provided by operating activities	$ 83.9	$ 216.3	$(42.9)	$ —	$ 257.3
Cash Flows from Investing Activities:					
Additions to property, plant and equipment	(6.8)	(72.3)	(58.2)		(137.3)
Other, net	—	8.2	2.3	—	10.5
Net cash used in investing activities	(6.8)	(64.1)	(55.9)	—	(126.8)
Cash Flows from Financing Activities:					
Long-term debt repayments, net	(111.4)	2.4	(4.0)	—	(113.0)
Short-term debt repayments, net	(4.5)	(0.3)	(0.4)	—	(5.2)
Proceeds from exercise of stock options	11.1	—	—	—	11.1
Repurchase of common stock	(1.1)	—	—	—	(1.1)
Decrease in drafts	(13.9)	15.1	(14.3)	—	(13.1)
Change in intercompany accounts	47.9	(139.4)	91.5	—	—
Net cash used in financing activities	(71.9)	(122.2)	72.8	—	(121.3)
Effect of foreign currency translation	—	(29.7)	31.9	—	2.2
Net Change in Cash and Cash Equivalents	5.2	0.3	5.9		11.4
Cash and Cash Equivalents as of Beginning of Period	0.5	3.0	88.2	—	91.7
Cash and Cash Equivalents as of End of Period	$ 5.7	$ 3.3	$ 94.1	$ —	$ 103.1

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

(18) Supplemental Guarantor Condensed Consolidating Financial Statements – (continued)

Basis of Presentation — Certain of the Company's 100%-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 facility and the indentures governing the Company's senior notes, including the Company's obligations to pay principal, premium, if any, and interest with respect to the senior notes. The senior notes consist of $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, Euro 250 million 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 currently Lear Operations Corporation, Lear Seating Holdings Corp. #50, Lear Corporation EEDS and Interiors, 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. 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, General and Administrative Expenses — The Parent allocated $22.0 million and $13.6 million in the three months ended July 3, 2004 and June 28, 2004, respectively, and $43.7 million and $45.9 million in the six months ended July 3, 2004 and June 28, 2003, respectively, of corporate selling, general and administrative expenses to its operating subsidiaries. The allocations were based on various factors, which estimate usage of particular corporate functions, and in certain instances, other relevant factors, such as the revenues or the number of employees of the Company's subsidiaries.

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

	July 3, 2004	December 31, 2003
Senior notes	$1,981.8	$1,987.0
Other long-term debt	42.6	54.4
	2,024.4	2,041.4
Less — current portion	(607.9)	(1.6)
	$1,416.5	$2,039.8

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

For more information on the above indebtedness, see Note 8, "Long-Term Debt."

LEAR CORPORATION

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

EXECUTIVE OVERVIEW

We are the world’s largest automotive interior systems supplier based on net sales. Our net sales have grown from $9.1 billion for the year ended December 31, 1998, to $15.7 billion for the year ended December 31, 2003. The major sources of this growth have been new program awards and the completion of the acquisition of UT Automotive, Inc. (“UT Automotive”) in May 1999. Our customers are the major automotive manufacturers, including General Motors, Ford, DaimlerChrysler, BMW, Fiat, PSA, Volkswagen, Renault/Nissan, Toyota and Subaru.

We have capabilities in all five principal segments of the automotive interior market: seat systems; flooring and acoustic systems; door panels; instrument panels and cockpit systems; and overhead systems. We are also one of the leading global suppliers of automotive electronic products and electrical distribution systems. As a result of these capabilities, we can offer our customers fully-integrated automotive interiors, including electronic and electrical distribution systems. In 2002, we were awarded the first-ever total interior integrator program by General Motors for the 2006 Buick LeSabre and Cadillac DeVille models. As a total interior integrator, we work closely with the customer on the design and are responsible for the engineering, component/module sourcing, manufacturing and delivery of the automotive interiors for these two full-size passenger cars.

Demand for our products is directly related to automotive vehicle production. Automotive sales and production can be affected by general economic conditions, labor relations issues, regulatory requirements, trade agreements and other factors. Our operating results are significantly impacted by what is referred to in this section as “vehicle production volume and mix”; that is, overall industry production, the commercial success of the vehicle platforms for which we supply products as well as our relative profitability on these platforms. In addition, our two largest customers, General Motors and Ford and their respective affiliates, together accounted for approximately 59% of our net sales in 2003. Excluding Opel, Saab, Volvo, Jaguar and Land Rover, which are affiliates of General Motors or Ford, General Motors and Ford accounted for approximately 47% of our net sales in 2003. A significant loss of business with respect to any vehicle model for which we are a significant supplier could materially and negatively affect our operating results.

Automotive industry conditions in North America and Europe continue to be challenging. In North America, the industry is characterized by significant overcapacity, fierce competition and significant pension and healthcare liabilities for the domestic automotive manufacturers. In Europe, the market structure is highly fragmented with significant overcapacity. Historically, the majority of our sales have been derived from the U.S.-based automotive manufacturers in North America, as well as automotive manufacturers in Western Europe. As discussed below, our ability to increase sales in the future will depend, in part, on our ability to increase our penetration of Asian markets and our sales to Asian automotive manufacturers worldwide.

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. We seek to enhance our profitability by investing in technology, design capabilities and new product initiatives that respond to the needs of our customers and consumers. Our profitability is also 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. Recent increases in certain commodity costs, such as resins, steel and diesel fuel, have negatively impacted our operating results, and a continuation of such price increases could significantly impact our profitability. See “— Forward-Looking Statements.” Finally, we continually evaluate alternatives to align our business with the changing needs of our customers and to lower the operating costs of our Company. This may include the realignment of our existing manufacturing capacity, facility closures or similar actions.

In evaluating our financial condition and operating performance, we focus primarily on profitable sales growth and cash flows of our operating segments as well as return on invested capital on a consolidated basis. In addition to maintaining and expanding our business with our existing customers in our more established markets, we have increased our emphasis on expanding our business in Eastern European and Asian markets and with Asian automotive manufacturers worldwide. The Eastern European and Asian markets present growth opportunities, as automotive manufacturers expand production in these markets to meet increasing demand. We currently have eleven joint ventures in China and several other joint ventures dedicated to serving Asian automotive manufacturers. We will continue to seek ways to expand our business in Eastern European and Asian markets and with Asian automotive manufacturers worldwide.

LEAR CORPORATION

Our success in generating cash flow will depend, in part, on our ability to efficiently manage working capital. Working capital can be significantly impacted by the timing of cash flows from sales and purchases. In addition, our cash flow is dependent on our ability to maintain a disciplined capital spending program. We can strengthen our balance sheet by promoting a flexible cost structure and efficiently utilizing our asset base. Return on invested capital is a measure of the efficiency with which assets are deployed to increase earnings. Improvements in our return on invested capital will depend on our ability to maintain an appropriate asset base for our business and to increase productivity and operating efficiency.

For further information related to other factors that have had, or may in the future have, a significant impact on our business, financial condition or results of operations, see "— 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, 2003.

RESULTS OF OPERATIONS

A summary of our operating results as a percentage of net sales is shown below (dollar amounts in millions):

	Three Months Ended				Six Months Ended			
	July 3, 2004		June 28, 2003		July 3, 2004		June 28, 2003	
Net sales								
Seating	$2,888.0	67.4%	$2,824.4	68.9%	$5,895.8	67.2%	$5,521.4	69.0%
Interiors	739.1	17.3	714.9	17.4	1,556.4	17.7	1,392.6	17.4
Electronic and electrical	656.9	15.3	561.9	13.7	1,323.9	15.1	1,085.9	13.6
Net sales	4,284.0	100.0	4,101.2	100.0	8,776.1	100.0	7,999.9	100.0
Gross profit	371.6	8.7	353.2	8.6	718.5	8.2	661.8	8.3
Selling, general and administrative expenses	158.7	3.7	141.5	3.5	326.4	3.7	288.2	3.6
Interest expense	39.2	0.9	48.3	1.2	78.3	0.9	100.7	1.3
Other expense, net	14.8	0.4	14.7	0.3	28.9	0.3	27.2	0.3
Provision for income taxes	42.8	1.0	44.6	1.1	77.4	0.9	73.7	0.9
Net income	$ 116.1	2.7%	$ 104.1	2.5%	$ 207.5	2.4%	$ 172.0	2.2%

Three Months Ended July 3, 2004 vs. Three Months Ended June 28, 2003

Net sales in the second quarter of 2004 were $4.3 billion as compared to $4.1 billion in the second quarter of 2003, an increase of $183 million or 4%. New business, net of selling price reductions, and net foreign exchange rate fluctuations increased net sales by $151 million and $124 million, respectively. Net sales also benefited from the impact of vehicle production volume, which contributed $30 million to the increase. These increases were partially offset by the impact of vehicle production mix, which negatively impacted net sales by $128 million.

Gross profit and gross margin were $372 million and 8.7% in the quarter ended July 3, 2004, as compared to $353 million and 8.6% in the quarter ended June 28, 2003. The benefit from our productivity initiatives and other efficiencies, net of costs associated with facility closures and similar actions, and new business contributed $54 million and $20 million, respectively, to the increase in gross profit. Gross profit was negatively affected by the net impact of customer and supplier commercial settlements, including selling price reductions, which, collectively with the impact of vehicle production volume and mix, reduced gross profit by $61 million.

Selling, general and administrative expenses, including research and development, were $159 million in the three months ended July 3, 2004, as compared to $142 million in the three months ended June 28, 2003. As a percentage of net sales, selling, general and administrative expenses were 3.7% and 3.5% in the second quarters of 2004 and 2003, respectively. Our investment in new programs and net foreign exchange rate fluctuations contributed $11 million and $3 million, respectively, to the increase in selling, general and administrative expenses in the second quarter of 2004.

Interest expense was $39 million in the second quarter of 2004 as compared to $48 million in the second quarter of 2003. Hedging activities and our reduced debt balance favorably impacted interest expense by $7 million and $2 million, respectively.

Other expense, which includes state and local non-income taxes, foreign exchange gains and losses, minority interests 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 $15 million in each of the quarters ended July 3, 2004 and June 28, 2003. A decrease in losses on the sales of fixed assets was offset by an increase in state and local non-income taxes.

The provision for income taxes was $43 million, representing an effective tax rate of 26.9%, in the current quarter as compared to $45 million, representing an effective tax rate of 30.0%, in the same quarter a year ago. The decrease in the effective tax rate is primarily the result of the mix of our earnings outside of the United States and our overall tax planning. The effective tax rate for the second quarter of 2004 and 2003 approximated the U.S. 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 second quarter of 2004 was $116 million, or $1.65 per diluted share, as compared to $104 million, or $1.54 per diluted share, in the second quarter of 2003.

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 products and electrical distribution systems, primarily wire harnesses and junction boxes; interior control and entertainment systems; and wireless systems. Financial measures regarding each segment's income before interest, other expense 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 statement 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, see Note 15, "Segment Reporting."

Seating

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

	Three months ended	
	July 3, 2004	**June 28, 2003**
Net sales	$2,888.0	$2,824.4
Income before interest, other expense and income taxes	188.5	178.7
Margin	6.5%	6.3%

Seating net sales were $2.9 billion in the second quarter of 2004 as compared to $2.8 billion in the second quarter of 2003, an increase of $64 million or 2%. Net foreign exchange rate fluctuations, new business and the impact of the Hanyil acquisition, favorably impacted net sales by $89 million, $28 million and $24 million, respectively. These increases were partially offset by the impact of vehicle production volume and mix, which reduced net sales by $85 million. Income before interest, other expense and income taxes and the related margin on net sales were $189 million and 6.5% in the three months ended July 3, 2004, as compared to $179 million and 6.3% in the three months ended June 28, 2003. The benefit of our productivity initiatives and other efficiencies, net of costs associated with facility closures and similar actions, contributed $17 million to the increase. Income before interest, other expense and income taxes also benefited from new business. The increase was partially offset by the impact of unfavorable vehicle production volume and mix.

Interior

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

	Three months ended	
	July 3, 2004	June 28, 2003
Net sales	$739.1	$714.9
Income before interest, other expense and income taxes	20.0	22.9
Margin	2.7%	3.2%

Interior net sales were $739 million in the second quarter of 2004 as compared to $715 million in the second quarter of 2003, an increase of $24 million or 3%. New business, net of selling price reductions, and net foreign exchange rate fluctuations favorably impacted net sales by $33 million and $15 million, respectively. These increases were partially offset by the impact of our divestitures and vehicle production volume and mix, which decreased net sales by $15 million and $9 million, respectively. Income before interest, other expense and income taxes and the related margin on net sales were $20 million and 2.7% in the three months ended July 3, 2004, as compared to $23 million and 3.2% in the three months ended June 28, 2003. The benefit of our productivity initiatives and other efficiencies contributed $28 million to the increase. Income before interest, other expense and income taxes also benefited from new business. The increase was more than offset by the impact of selling price reductions and unfavorable vehicle production volume and mix. The decline in the margin on net sales was primarily due to the impact of selling price reductions and vehicle production volume and mix, partially offset by the benefit of our productivity initiatives and other efficiencies.

Electronic and Electrical

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

	Three months ended	
	July 3, 2004	June 28, 2003
Net sales	$656.9	$561.9
Income before interest, other expense and income taxes	58.7	50.8
Margin	8.9%	9.0%

Electronic and electrical net sales were $657 million in the second quarter of 2004 as compared to $562 million in the second quarter of 2003, an increase of $95 million or 17%. New business, net of selling price reductions, and net foreign exchange rate fluctuations favorably impacted net sales by $79 million and $20 million, respectively. Income before interest, other expense and income taxes and the related margin on net sales were $59 million and 8.9% in the three months ended July 3, 2004, as compared to $51 million and 9.0% in the three months ended June 28, 2003. The benefit of our productivity initiatives and other efficiencies, net of costs associated with facility closures and similar actions, contributed $9 million to the increase. Income before interest, other expense and income taxes also benefited from the impact of vehicle production volume and mix and new business. The increase was partially offset by the impact of selling price reductions.

Six Months Ended July 3, 2004 vs. Six Months Ended June 28, 2003

Net sales in the first six months of 2004 were $8.8 billion as compared to $8.0 billion in the first six months of 2003, an increase of $776 million or 10%. Net foreign exchange rate fluctuations and new business, net of selling price reductions, increased net sales by $431 million and $396 million, respectively. Net sales also benefited from the impact of vehicle production volume, which contributed $229 million to the increase. These increases were partially offset by the impact of vehicle production mix, which negatively impacted net sales by $287 million.

Gross profit and gross margin were $719 million and 8.2% in the six months ended July 3, 2004, as compared to $662 million and 8.3% in the six months ended June 28, 2003. The benefit from our productivity initiatives and other efficiencies, net of costs associated with facility closures and similar actions, new business and net foreign exchange rate fluctuations contributed $96 million, $50 million and $23 million, respectively, to the increase in gross profit. Gross profit was negatively affected by the net impact of customer and supplier commercial settlements, including selling price reductions, which, collectively with the impact of vehicle production volume and mix, reduced gross profit by $115 million.

Selling, general and administrative expenses, including research and development, were $326 million in the six months ended July 3, 2004, as compared to $288 million in the six months ended June 28, 2003. As a percentage of net sales, selling, general and administrative expenses were 3.7% and 3.6% in the first six months of 2004 and 2003, respectively. Our investment in new programs and net foreign exchange rate fluctuations contributed $23 million and $13 million, respectively, to the increase in selling, general and administrative expenses in the first six months of 2004.

Interest expense was $78 million in the first six months of 2004 as compared to $101 million in the first six months of 2003. Hedging activities and our reduced debt balance favorably impacted interest expense by $16 million and $4 million, respectively.

Other expense, which includes state and local non-income taxes, foreign exchange gains and losses, minority interests 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 $29 million in the six months ended July 3, 2004, as compared to $27 million in the six months ended June 28, 2003. An increase in state and local non-income taxes was offset by a decrease in losses on the sales of fixed assets.

The provision for income taxes was $77 million, representing an effective tax rate of 27.2%, in the current period as compared to $74 million, representing an effective tax rate of 30.0%, in the same period a year ago. The decrease in the effective tax rate is primarily the result of the mix of our earnings outside of the United States, as well as our overall tax planning. The effective tax rate for the first six months of 2004 and 2003 approximated the U.S. 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 first six months of 2004 was $208 million, or $2.95 per diluted share, as compared to $172 million, or $2.55 per diluted share, in the first six months of 2003.

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 products and electrical distribution systems, primarily wire harnesses and junction boxes; interior control and entertainment systems; and wireless systems. Financial measures regarding each segment's income before interest, other expense 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 statement 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, see Note 15, "Segment Reporting."

Seating

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

	Six months ended	
	July 3, 2004	**June 28, 2003**
Net sales	$5,895.8	$5,521.4
Income before interest, other expense and income taxes	336.7	315.7
Margin	5.7%	5.7%

Seating net sales were $5.9 billion in the first six months of 2004 as compared to $5.5 billion in the first six months of 2003, an increase of $374 million or 7%. Net foreign exchange rate fluctuations, new business, net of selling price reductions, and the impact of the Hanyil acquisition, favorably impacted net sales by $311 million, $131 million and $37 million, respectively. These increases were partially offset by the impact of vehicle production volume and mix, which reduced net sales by $101 million. Income before interest, other expense and income taxes and the related margin on net sales were $337 million and 5.7% in the six months ended July 3, 2004, as compared to $316 million and 5.7% in the six months ended June 28, 2003. The benefit of our productivity initiatives and other efficiencies, net of costs associated with facility closures and similar actions, and net foreign exchange rate fluctuations contributed $28 million and $8 million, respectively, to the increase.

Income before interest, other expense and income taxes also benefited from new business. The increase was partially offset by the net impact of customer and supplier commercial settlements, including selling price reductions, and unfavorable vehicle production volume and mix.

Interior

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

	Six months ended	
	July 3, 2004	June 28, 2003
Net sales	$1,556.4	$1,392.6
Income before interest, other expense and income taxes	48.7	52.0
Margin	3.1%	3.7%

Interior net sales were $1.6 billion in the first six months of 2004 as compared to $1.4 billion in the first six months of 2003, an increase of $164 million or 12%. New business, net of selling price reductions, net foreign exchange rate fluctuations and the impact of vehicle production volume and mix favorably impacted net sales by $104 million, $53 million and $33 million, respectively. These increases were partially offset by the impact of our divestitures, which decreased net sales by $26 million. Income before interest, other expense and income taxes and the related margin on net sales were $49 million and 3.1% in the six months ended July 3, 2004, as compared to $52 million and 3.7% in the six months ended June 28, 2003. The benefit of our productivity initiatives and other efficiencies, net of costs associated with facility closures and similar actions, contributed $43 million to the increase. Income before interest, other expense and income taxes also benefited from new business. The increase was more than offset by the impact of selling price reductions and unfavorable vehicle production volume and mix. The decline in the margin on net sales was primarily due to the impact of selling price reductions and vehicle production volume and mix, partially offset by the benefit of our productivity initiatives and other efficiencies.

Electronic and Electrical

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

	Six months ended	
	July 3, 2004	June 28, 2003
Net sales	$1,323.9	$1,085.9
Income before interest, other expense and income taxes	117.4	102.7
Margin	8.9%	9.5%

Electronic and electrical net sales were $1.3 billion in the first six months of 2004 as compared to $1.1 billion in the first six months of 2003, an increase of $238 million or 22%. New business, net of selling price reductions, net foreign exchange rate fluctuations and the impact of vehicle production volume and mix favorably impacted net sales by $161 million, $67 million and $11 million, respectively. Income before interest, other expense and income taxes and the related margin on net sales were $117 million and 8.9% in the six months ended July 3, 2004, as compared to $103 million and 9.5% in the six months ended June 28, 2003. The benefit of our productivity initiatives and other efficiencies, net of costs associated with facility closures and similar actions, contributed $13 million to the increase. Income before interest, other expense and income taxes also benefited from the impact of vehicle production volume and mix and new business. The increase was partially offset by the impact of selling price reductions. The decline in the margin on net sales was primarily due to the impact of selling price reductions, partially offset by the benefit of our productivity initiatives and other efficiencies.

Facility Actions

We continually evaluate alternatives to align our business with the changing needs of our customers and to lower the operating costs of our Company. This may include the realignment of our existing manufacturing capacity, facility closures or similar actions. In December 2003, we initiated significant actions affecting two of our U.S. seating facilities. As a result of these actions, we recorded charges of $26 million for employee termination benefits and asset impairments in 2003. These actions were completed in the second quarter of 2004. Of the total costs associated with these facility actions, approximately $33 million related to employee termination benefits and asset impairment charges.

Acquisition

On July 5, 2004, we completed the acquisition of the parent of GHW Grote & Hartmann GmbH ("Grote & Hartmann") for consideration of $160 million, including assumed debt of $86 million. This amount excludes the cost of integration, as well as other costs related to the transaction. Grote & Hartmann is based in Wuppertal, Germany and manufactures terminals and connectors, junction boxes and machinery to produce wire harnesses, primarily for the automotive industry. Grote & Hartmann had 2003 sales of approximately $275 million.

The Grote & Hartmann acquisition will be accounted for as a purchase, and accordingly, the assets purchased and liabilities assumed will be included in the consolidated balance sheet for the quarter ending October 2, 2004. The operating results of Grote & Hartmann will be included in the consolidated financial statements from the date of acquisition. See "— Forward-Looking Statements."

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 facility. A substantial portion of our operating income is generated by our subsidiaries. As a result, we are dependent on the earnings and cash flows of and the 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

Cash flows from operating activities generated $312 million of cash during the first six months of 2004 as compared to $257 million of cash during the first six months of 2003. The net change in sold accounts receivable, which resulted in a $69 million improvement in operating cash flows between periods, and a $36 million increase in net income were offset by the net change in working capital and the net change in recoverable customer engineering and tooling, which collectively resulted in a $57 million decrease in operating cash flows between periods. Increases in accounts receivable and accounts payable were a use of $279 million and a source of $177 million of cash, respectively, in the first six months of 2004, reflecting our increased sales and the timing of payments received from our customers and made to our suppliers. Other current assets and accrued liabilities were a source of $93 million of cash in the first six months of 2004, primarily as a result of the timing of commercial settlements and payroll-related payments, offset by the timing of domestic and foreign tax payments.

Cash flows used in investing activities were $265 million in the first six months of 2004 as compared to $127 million in the first six months of 2003. This increase is primarily due to a $74 million deposit made in connection with the acquisition of Grote & Hartmann, as well as a $55 million increase in capital expenditures between periods.

Cash flows used in financing activities decreased to $71 million in the first six months of 2004 as compared to $121 million in the first six months of 2003. Net repayments of our short-term and long-term debt were $22 million in the first six months of 2004 as compared to $118 million in the first six months of 2003. This change was partially offset by dividend payments of $41 million and the repurchase of common stock for $24 million in the current period.

Capitalization

In addition to cash provided by operating activities, we utilize a combination of a committed credit facility and long-term notes to fund our capital expenditures and working capital requirements. For the six months ended July 3, 2004 and June 28, 2003, our average outstanding long-term debt balance was $2.1 billion. The weighted average long-term interest rate, including rates under our committed credit facility and the effect of hedging activities, was 6.0% and 6.8% for the respective periods.

We utilize uncommitted lines of credit as needed for our short-term working capital requirements. For the six months ended July 3, 2004 and June 28, 2003, our average outstanding unsecured short-term debt balance was $11 million and $53 million, respectively. The weighted average interest rate, including the effect of hedging activities, was 2.4% and 4.8% for the respective periods.

Primary Credit Facility

As of July 3, 2004, our primary credit facility consisted of a $1.7 billion amended and restated credit facility, which matures on March 26, 2006. Our $250 million revolving credit facility matured on May 4, 2004. As of July 3, 2004, we had no borrowings outstanding under our primary credit facility and $43 million committed under outstanding letters of credit, resulting in more than $1.6 billion of unused availability under our primary credit facility.

Our primary credit facility contains operating and financial covenants that, among other things, could limit our ability to obtain additional sources of capital. As of July 3, 2004, we were in compliance with all covenants and other requirements set forth in our primary credit facility.

Our obligations under the primary credit facility 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. The guarantees and stock pledges may be released, at our option, when and if certain conditions are satisfied, including credit ratings on our senior long-term unsecured debt at or above BBB- from Standard & Poor's Ratings Services and at or above Baa3 from Moody's Investors Service. This condition was satisfied in May 2004, when Moody's Investors Service raised its credit rating of our senior unsecured debt to Baa3. As of the date of this Report, we have not sought to release the guarantees and stock pledges.

Senior Notes

As of July 3, 2004, we had $2.0 billion of debt, including short-term borrowings, consisting primarily of $280 million accreted value of zero-coupon senior notes due 2022, Euro 250 million (approximately $302 million based on the exchange rate in effect as of July 3, 2004) of senior notes due 2008, $600 million of senior notes due 2005 and $800 million of senior notes due 2009. We continue to review alternatives related to the refinancing of the senior notes due 2005, including the possibility of a debt issuance prior to the maturity of the notes.

Our senior notes contain covenants restricting our ability to incur liens and to enter into sale and leaseback transactions and restricting our ability to consolidate with, to merge with or into, or to sell or otherwise dispose of all or substantially all of our assets to, any person. As of July 3, 2004, we were in compliance with all covenants and other requirements set forth in our senior notes.

The senior notes are guaranteed by the same subsidiaries that guarantee our primary credit facility. In the event that any such subsidiary ceases to be a guarantor under the primary credit facility, such subsidiary will be released as a guarantor of the senior notes.

Scheduled cash interest payments on our outstanding senior notes are $69 million in the last six months of 2004, $113 million in 2005, $90 million in 2006 and 2007, $77 million in 2008 and $32 million in 2009.

Off-Balance Sheet Arrangements

Asset-Backed Securitization Facility

We have in place an ABS facility, which provides for maximum purchases of adjusted accounts receivable of $200 million. As of July 3, 2004 and December 31, 2003, there were no accounts receivable sold under the facility. The level of funding utilized under this facility is based on the credit ratings of our major customers, the level of aggregate accounts receivable in a specific month and our funding requirements.

Guarantees and Commitments

We guarantee the residual value of certain of our leased assets. As of July 3, 2004, these guarantees totaled $27 million. In addition, we guarantee 39% of certain of the debt of Total Interior Systems – America, L.L.C., a joint venture in which we own a 39% interest. As of July 3, 2004, the debt balance of Total Interior Systems – America, L.L.C. covered by our guarantees was $23 million.

Accounts Receivable Factoring

From time to time, certain 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 July 3, 2004, there were no factored accounts receivable. As of December 31, 2003, the amount of factored receivables was $71 million. We cannot provide any assurances that these factoring facilities will be available or utilized in the future.

Credit Ratings (1)

The credit ratings of our senior unsecured debt as of the date of this Report are shown below:

	Standard & Poor's Ratings Services	Moody's Investors Service	Fitch Ratings
Credit rating of senior unsecured debt	BBB-	Baa3	BBB-
Ratings outlook	Stable	Stable	Stable

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

In May 2004, Moody's Investors Service raised its credit rating of our senior unsecured debt to Baa3 and moved the ratings outlook to stable. The credit ratings by the three ratings agencies are "investment grade."

Dividends

On February 3, 2004, we announced that our Board of Directors had declared a cash divided of $0.20 per share of common stock, which was paid on March 8, 2004, to shareholders of record at the close of business February 18, 2004. On May 13, 2004, our Board of Directors declared a cash divided of $0.20 per share of common stock, which was paid on June 14, 2004, to shareholders of record at the close of business May 28, 2004. We expect to pay quarterly cash dividends in the future, although such payment is dependent upon our financial condition, results of operations, capital requirements, alternative uses of capital and other factors. Also, we are subject to the restrictions on the payment of dividends contained in our primary credit facility and in certain other contractual obligations. See "— Forward-Looking Statements."

Common Stock Repurchase Program

In May 2002, the Board of Directors approved a common stock repurchase program that permits the discretionary repurchase of up to 3.3 million shares of our outstanding common stock over an initial period of 24 months. In May 2004, the program was extended until May 2006. During the second quarter of 2004, we repurchased 427,400 shares of our outstanding common stock at an average purchase price of $54.91 per share, excluding commissions of $0.04 per share. As of July 3, 2004, 2,840,800 shares of common stock were available for repurchase under the common stock repurchase program. The extent to which we will repurchase our common stock and the timing of such repurchases will depend upon prevailing market conditions, alternative uses of capital and other factors.

Adequacy of Liquidity Sources

We believe that cash flows from operations and availability under our primary credit facility will be sufficient to meet our long-term debt maturities, projected capital expenditures and anticipated working capital requirements for the foreseeable future. However, our cash flows from operations, borrowing availability and overall liquidity are subject to risks and uncertainties. Please see "— Executive Overview," "— 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, 2003.

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 foreign exchange contracts are executed with banks that we believe are creditworthy. Gains and losses related to foreign exchange contracts are deferred and included in the measurement of the foreign currency transaction subject to the hedge. Gains and losses incurred related to foreign exchange contracts are generally offset by the direct effects of currency movements on the underlying transactions.

Our most significant foreign currency transactional exposures relate to the Mexican peso, the Canadian dollar and the Euro. We have performed a quantitative analysis of our overall currency rate exposure as of July 3, 2004. The potential earnings decline 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 $3 million. The potential earnings benefit related to transactional exposures from a similar strengthening of the Euro relative to all other currencies for a twelve-month period is approximately $1 million.

As of July 3, 2004, foreign exchange contracts representing $1.8 billion of notional amount were outstanding with maturities of less than 18 months. The fair value of these foreign exchange contracts as of July 3, 2004, was approximately zero. A 10% change in the value of the U.S. dollar relative to all other currencies would result in a $3 million change in the aggregated fair value of these contracts. A 10% change in the value of the Euro relative to all other currencies would result in a $11 million change in the aggregated fair value of these contracts.

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

In addition to the transactional exposure described above, our operating results are impacted by the translation of our foreign operating income into U.S. dollars (“translation exposure”). 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 floating 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 swap contracts are executed with banks that we believe are creditworthy and are denominated in currencies that match the underlying debt instrument. Net interest payments or receipts from interest rate swaps are recorded as adjustments to interest expense in our consolidated statements of income on an accrual basis.

We have performed a quantitative analysis of our overall interest rate exposure as of July 3, 2004. 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 $8 million.

As of July 3, 2004, interest rate swap contracts representing $900 million of notional amount were outstanding with maturity dates of August 2004 through May 2009. Of these contracts, $300 million are designated as cash flow hedges and hedge the interest rate risk of anticipated long-term debt issuance and $600 million are designated as fair value hedges and modify the fixed rate characteristics of our outstanding long-term 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 as of July 3, 2004, was approximately negative $12 million. A 100 basis point parallel shift in interest rates would result in a $7 million change in the aggregated fair value of these contracts.

Commodity Prices

We have commodity price risk with respect to purchases of copper, leather, steel, resins, diesel fuel and natural gas. This risk, where not offset by pricing adjustments with our customers, is partially managed through a combination of fixed price agreements, staggered short-term contract maturities and commercial negotiations with our suppliers. We may also pursue alternative commodities or alternative suppliers to mitigate this risk over time. We generally have not used financial instruments to mitigate this risk. Recent increases in certain commodity costs, such as resins, steel and diesel fuel, have negatively impacted our operating results, and a continuation of such price increases could significantly impact our profitability. See “— Forward-Looking Statements.”

OTHER MATTERS

Environmental Matters

We are subject to local, state, federal and foreign laws, regulations and ordinances which govern activities or operations that may have adverse environmental effects and which impose liability for 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 an environmental management program based on ISO 14001 to ensure compliance. However, we currently are, have been and in the future may become the subject of formal or informal enforcement actions or procedures.

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

For further information related to environmental matters, see Part II — Item 1, “Legal Proceedings.” The forward-looking statements above are subject to risks and uncertainties, see “— Forward-Looking Statements.”

Significant Accounting Policies and Critical Accounting Estimates

Certain of our accounting policies require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are subject to an inherent degree of uncertainty. These estimates and assumptions are based on our historical experience, terms of existing contracts, our evaluation of trends in the industry, information provided by our customers and suppliers and information available from other outside sources, as appropriate. Actual results in these areas could differ from our estimates. For a discussion of our significant accounting policies and critical accounting estimates, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Accounting Policies and Critical Accounting Estimates," and Note 2, "Summary of Significant Accounting Policies," to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2003. There have been no significant changes in our significant accounting policies or critical accounting estimates during the first six months of 2004.

Revenue Recognition and Sales Commitments

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. Although such agreements do not provide for minimum quantities, 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.

In prior years, we recorded loss contract accruals in purchase accounting in conjunction with the UT Automotive acquisition and the Delphi acquisition. These loss contract accruals were not recorded in the historical operating results of UT Automotive 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. A summary of the remaining loss contract accrual activity related to the UT Automotive and Delphi acquisitions is shown below (in millions):

	Accrual as of December 31, 2003	Utilized	Accrual as of July 3, 2004
UT Automotive	$ 1.9	$(0.8)	$ 1.1
Delphi	13.0	(1.7)	11.3

During the first six months of 2003, we utilized $1.2 million and $4.5 million of the loss contract accruals related to the UT Automotive and Delphi acquisitions, respectively.

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

Recently Issued Accounting Pronouncements

Pensions and Other Postretirement Benefits

The Financial Accounting Standards Board ("FASB") issued a revised Statement of Financial Accounting Standards ("SFAS") No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." This statement retains the original pension and other postretirement benefits disclosures of SFAS No. 132 and requires additional disclosures for both annual and interim periods. Additional annual reporting requirements related to plan assets, accumulated benefit obligations and expected plan contributions are effective for fiscal years ending after December 15, 2003, for domestic plans, and for fiscal years ending after June 15, 2004, for foreign plans. Additional annual reporting requirements related to estimated future benefit payments are effective for fiscal years ending after June 15, 2004, for both domestic and foreign plans. Additional interim reporting requirements related to the components of net periodic benefit cost, contributions paid and significant changes in assumptions are effective for interim periods beginning after December 15, 2003, for both domestic and foreign plans. All interim disclosures required by this statement have been reflected in Note 9, "Pension and Other Postretirement Benefit Plans," to the consolidated financial statements included in this Report.

Variable Interest Entities

The FASB issued Interpretation ("FIN") No. 46 (revised December 2003), "Consolidation of Variable Interest Entities," the provisions of which apply immediately to any variable interest entity created after January 31, 2003, apply no later than the first period ending after December 15, 2003, to special purpose corporations, and apply in the first interim period ending after March 15, 2004, to any variable interest entity created prior to February 1, 2003. This interpretation requires the consolidation of a variable interest entity by its primary beneficiary and may require the consolidation of a portion of a variable interest entity's assets or liabilities under certain circumstances. We adopted the requirements of FIN No. 46 as of April 3, 2004. Such requirements related primarily to our investments in affiliates. The effects of adoption were not significant.

Contingently Convertible Debt

The 4,813,056 shares issuable upon conversion of our outstanding zero-coupon convertible senior notes are not included in the computation of diluted net income per share, as none of the contingent conversion events set forth in the notes has occurred and we intend to satisfy any repurchase obligation with respect to the convertible senior notes for cash. For further information related to the zero-coupon convertible senior notes, see Note 8, "Long-Term Debt," to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2003.

In December 2003, the FASB issued an exposure draft on Proposed SFAS, "Earnings per Share – an amendment of FASB Statement No. 128." The proposed statement would eliminate the current provisions within SFAS No. 128, "Earnings per Share," which allow an entity to overcome the presumption that contracts that can be settled in cash or stock would be settled in stock. If the proposed statement is issued as a final statement, the provisions are expected to be effective for reporting periods beginning after December 15, 2004. All prior period net income per share amounts presented would be restated to conform to the provisions of the final statement.

In July 2004, the Emerging Issues Task Force ("EITF") reached a tentative consensus on EITF Issue No. 04-08, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share," that the impact of contingently convertible debt, such as the zero-coupon convertible senior notes, should be included in diluted net income per share computations regardless of whether the market price trigger has been met. If the EITF's tentative consensus is ratified by the FASB, the provisions are expected to be effective for reporting periods ending after December 15, 2004. All prior period net income per share amounts presented would be restated to conform to the provisions of the final EITF.

We are currently assessing the potential impact of these proposed accounting standards.

Outlook

In the second half of 2004, net sales are expected to benefit primarily from the addition of new business globally and the acquisition of Grote & Hartmann, partially offset by the impact of vehicle production mix.

For the third quarter of 2004, we expect net sales to be up about 9% from a year ago, to approximately $3.8 billion. Net income per share is expected to be in the range of $1.05 to $1.20. Our third quarter 2004 net income per share guidance assumes 70.6 million shares outstanding and does not reflect the potential dilutive impact of our outstanding convertible senior notes.

For the full year, we expect net sales to be approximately $16.8 billion, compared with $15.7 billion in 2003. Our industry production planning assumptions are 16.0 million units for North America and 18.5 million units for Europe (16.1 million units for Western Europe). Given this industry outlook, net income per share is expected to be in the range of $5.85 to $6.25. This range is consistent with the 2004 guidance disclosed earlier in the year. However, we expect the second half of 2004 to be more challenging now as compared to our earlier expectations, largely due to higher commodity prices and business development costs, as well as unfavorable vehicle production mix in North America. Our full year 2004 net income per share guidance assumes 70.5 million shares outstanding and does not reflect the potential dilutive impact of our outstanding convertible senior notes. Full year capital spending is forecasted to be in the high- $300 million range.

The foregoing constitute forward-looking statements that are subject to risks and uncertainties. For a description of certain factors that may cause our actual results to differ from those expressed in our forward-looking statements, see "— 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, 2003.

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," "believe," "should," "anticipate," "plan," "expect," "intend," "estimate" and similar expressions identify these forward-looking statements. All statements contained or incorporated in this Report which address operating or financial 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 and financial results, are forward-looking statements. Because these forward-looking statements are subject to risks and uncertainties, actual results may differ materially from the expectations expressed in the forward-looking statements. Important factors, risks and uncertainties that may cause actual results to differ from those expressed in our forward-looking statements include, but are not limited to:

- general economic conditions in the markets in which we operate, including changes in interest rates and fuel prices;
- fluctuations in the production of vehicles for which we are a supplier;
- labor disputes involving us or our significant customers or suppliers or that otherwise affect us;
- our ability to achieve cost reductions that offset or exceed customer-mandated selling price reductions;
- the impact and timing of program launch costs;
- the costs and timing of facility closures or similar actions;
- increases in our warranty or product liability costs;
- risks associated with conducting business in foreign countries;
- fluctuations in foreign exchange rates;
- adverse changes in economic conditions or political instability in the jurisdictions in which we operate;
- competitive conditions impacting our key customers;
- raw material cost and availability;
- our ability to successfully integrate the recently acquired Grote & Hartmann operations;
- the outcome of legal or regulatory proceedings to which we are or may become a party;
- unanticipated changes in cash flow; and
- 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) 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 Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended), as of the end of the period covered by this Report. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. However, based on that evaluation, the Company's Chairman and Chief Executive Officer along with the Company's 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 Report.

(b) Changes in Internal Controls over Financial Reporting

There was no change in the Company's internal controls over financial reporting that occurred during the fiscal quarter ended July 3, 2004, 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 1 – LEGAL PROCEEDINGS

Commercial Disputes

We are involved from time to time in legal proceedings or claims relating to commercial or contractual disputes, including disputes with our suppliers. We will continue to vigorously defend ourselves against these claims. Based on present information, including our assessment of the merits of the particular claims, we do not expect that these legal proceedings or claims, either individually or in the aggregate, will have a material adverse effect on our business, consolidated financial position or results of operations, although the outcomes of these matters are inherently uncertain.

On January 29, 2002, Seton Company, one of our leather suppliers, filed a suit alleging that we had breached a purported agreement to purchase leather from it for seats for the life of the General Motors GMT 800 program. This suit presently is pending in the U.S. District Court for the Eastern District of Michigan. Seton seeks compensatory and exemplary damages on the remaining claims of contract breach and promissory estoppel. The Court has dismissed Seton's other claims for damages. Lear has filed a counterclaim. We believe that we have significant defenses and intend to vigorously contest Seton's claims. As of the date of this Report, discovery is continuing, and the trial is scheduled for the first quarter of 2005.

Product Liability Matters

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

Environmental Matters

We are subject to local, state, federal and foreign laws, regulations and ordinances which govern activities or operations that may have adverse environmental effects and which impose liability for 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 an environmental management program based on ISO 14001 to ensure compliance. However, we currently are, have been and in the future may become the subject of formal or informal enforcement actions or procedures.

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

One of our subsidiaries and certain predecessor companies were named as defendants in an action filed by three plaintiffs in August 2001 in the Circuit Court of Lowndes County, Mississippi asserting claims stemming from alleged environmental contamination caused by an automobile parts manufacturing plant located in Columbus, Mississippi. The plant was acquired by us as part of the UT Automotive acquisition in May 1999 and sold almost immediately thereafter, in June 1999, to Johnson Electric Holdings Limited ("Johnson Electric"). In December 2002, approximately 61 additional cases were filed by approximately 1,000 plaintiffs in the same court against us and other defendants relating to similar claims. In September 2003, we were dismissed as a party to these cases. In the first half of 2004, we were named again as a defendant in these same 61 cases and were also named in five new actions filed by approximately 100 individual plaintiffs related to alleged environmental contamination from the same facility. The plaintiffs in these actions are persons who allegedly were either residents and/or owned property near the facility or worked at the facility. Each of these complaints seeks compensatory and, in certain cases, punitive damages. To date, there has been limited discovery in these cases and the probability of liability and the amount of damages in the event of liability are unknown. UTC, the former owner of UT Automotive, and Johnson Electric have each sought indemnification from us under the respective acquisition agreements, and we have claimed indemnification from them under the same agreements. To date, no company admits to, or has been found to have, an obligation to fully defend and indemnify any other. We intend to vigorously defend against these claims and believe that we will eventually be indemnified by either UTC or Johnson Electric for resulting losses, if any.

Other Matters

We are involved in certain other legal actions and claims arising in the ordinary course of business, including, without limitation, intellectual property matters, personal injury claims and employment matters. Although the outcome of any legal matter cannot be predicted with certainty, we do not believe that any of these other legal proceedings or matters in which we are currently involved, either individually or in the aggregate, will have a material adverse effect on our business, consolidated financial position or results of operations. See "— Forward-Looking Statements."

In January 2004, the U.S. Securities and Exchange Commission ("SEC") commenced an informal inquiry into our September 2002 amendment of our 2001 Form 10-K. The amendment was filed to report our employment of relatives of certain of our directors and officers and certain related-party transactions. The SEC has advised us that the inquiry should not be construed as an indication by the Commission or its staff that any violations of law have occurred or as an adverse reflection upon any person or security. We are cooperating with the SEC's inquiry.

ITEM 2 – CHANGES IN SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

As discussed in Part I – Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Capitalization – Common Stock Repurchase Program," the Board of Directors has approved a common stock repurchase program, which was recently extended until May 2006. A summary of the shares of our common stock repurchased under this program during the quarter ended July 3, 2004, is shown below:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Program
April 4, 2004 through May 1, 2004	—	N/A	—	3,268,200
May 2, 2004 through May 29, 2004	427,400	$54.91*	427,400	2,840,800
May 30, 2004 through July 3, 2004	—	N/A	—	2,840,800
Total	427,400	$54.91	427,400	2,840,800

* Excludes commissions of $0.04 per share.

ITEM 4 – SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) The Annual Meeting of Stockholders of Lear Corporation was held on May 13, 2004. At the meeting, the following matters were submitted to a vote of the stockholders of Lear Corporation. Pursuant to the rules of the New York Stock Exchange, there were no broker non-voters in the maters described below.

(1) The election of three directors to hold office until the 2007 Annual Meeting of Stockholders. The vote with respect to each nominee was as follows:

Nominee	For	Withheld
Larry W. McCurdy	58,363,042	3,433,868
Roy E. Parrott	58,882,047	2,914,863
Richard F. Wallman	58,513,799	3,283,111

The terms of office of the following directors continued after the meeting: Ms. Bingaman and Messrs. Mallett, Rossiter and Vandenberghe (whose terms expire at the annual meeting in 2005) and Messrs. Fry, Spalding and Stern (whose terms expire at the annual meeting in 2006).

LEAR CORPORATION

(2) The appointment of the firm of Ernst & Young as independent auditors for the year ending December 31, 2004.

For	Against	Abstain
57,639,540	3,994,313	163,057

(3) Shareholder request that the directors increase shareholder voting rights and submit the adoption, maintenance or extension of any poison pill to a shareholder vote.

For	Against	Abstain
48,548,759	8,031,468	181,972

ITEM 6 – EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

10.1	Purchase and Transfer Agreement dated April 5, 2004, among Lear Corporation Holding GmbH, Lear Corporation GmbH & Co. KG and the Sellers named therein (incorporated by reference to Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q for the quarter ended April 3, 2004).
10.2	Performance Share Award Agreement dated June 22, 2004, between the Company and Robert E. Rossiter.
10.3	Performance Share Award Agreement dated June 22, 2004, between the Company and James H. Vandenberghe.
10.4	Performance Share Award Agreement dated June 22, 2004, between the Company and Douglas G. DelGrosso.
10.5	Performance Share Award Agreement dated June 22, 2004, between the Company and Donald J. Stebbins.
10.6	Performance Share Award Agreement dated June 22, 2004, between the Company and David C. Wajsgras.
10.7	Performance Share Award Agreement dated June 22, 2004, between the Company and Roger A. Jackson.
10.8	Performance Share Award Agreement dated June 22, 2004, between the Company and Daniel A. Ninivaggi.
31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer.
32.1	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) The following reports on Form 8-K were filed during the fiscal quarter ended July 3, 2004.

On April 26, 2004, the Company filed a Current Report on Form 8-K dated April 26, 2004, under Item 5, Other Events and Regulation FD Disclosure, and Item 12, Results of Operations and Financial Condition, reporting its financial results for the first quarter of 2004 and updating its earnings guidance for 2004. In addition, under Item 9, Regulation FD Disclosure, and Item 12, Results of Operations and Financial Condition, the Company filed the visual slides from the webcast of its first quarter 2004 earnings call conducted on April 26, 2004.*

* Pursuant to General Instruction B of Form 8-K, the portion of the report submitted to the Securities and Exchange Commission under Item 9, Regulation FD Disclosure, is not deemed to be “filed” for purpose of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and we are not subject to the liabilities of that section. We are not incorporating, and will not incorporate by reference, such portion of the report into filings under the Securities Act of 1933, as amended, 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: July 29, 2004	By:	/s/ Robert E. Rossiter
		Robert E. Rossiter President and Chief Executive Officer
	By:	/s/ David C. Wajsgras
		David C. Wajsgras Senior Vice President and Chief Financial Officer
	By:	/s/ William C. Dircks
		William C. Dircks Vice President and Corporate Controller

LEAR CORPORATION

INDEX TO EXHIBITS

Exhibit Number	
10.1	Purchase and Transfer Agreement dated April 5, 2004, among Lear Corporation Holding GmbH, Lear Corporation GmbH & Co. KG and the Sellers named therein (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 3, 2004).
**10.2	Performance Share Award Agreement dated June 22, 2004, between the Company and Robert E. Rossiter.
**10.3	Performance Share Award Agreement dated June 22, 2004, between the Company and James H. Vandenberghe.
**10.4	Performance Share Award Agreement dated June 22, 2004, between the Company and Douglas G. DelGrosso.
**10.5	Performance Share Award Agreement dated June 22, 2004, between the Company and Donald J. Stebbins.
**10.6	Performance Share Award Agreement dated June 22, 2004, between the Company and David C. Wajsgras.
**10.7	Performance Share Award Agreement dated June 22, 2004, between the Company and Roger A. Jackson.
**10.8	Performance Share Award Agreement dated June 22, 2004, between the Company and Daniel A. Ninivaggi.
**31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer.
**31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer.
**32.1	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**32.2	Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

** Filed herewith.

EXHIBIT 10.2

Robert E. Rossiter

LEAR CORPORATION
LONG-TERM STOCK INCENTIVE PLAN

PERFORMANCE SHARE AWARD AGREEMENT

PERFORMANCE SHARE AWARD AGREEMENT (the "Agreement") dated as of June 22, 2004, 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, 2004 and ending on December 31, 2006.

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, 2007 and (b) the dividends declared during the period commencing on January 1, 2004 and ending on December 31, 2006, 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, 2004.

        ii. "Peer Group" shall mean 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 2004, 2005, 2006 fiscal years or as otherwise approved by the Compensation Committee.

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 Capitol
Threshold	2031	2031
Target	4061	4061
Superior	6092	6092

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:

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

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 irrevocably 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, 2004 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 properly 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, state or local, 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: Roger A.

Jackson 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 Michigan, 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.

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

LEAR CORPORATION

By: /s/ Roger A. Jackson

Roger A. Jackson

Its: Senior Vice President, Human Resources

/s/ Robert E. Rossiter

[Participant's Signature]

Participant's Name and Address for notices hereunder

Robert E. Rossiter

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EXHIBIT 10.3

James H. Vandenberghe

LEAR CORPORATION
LONG-TERM STOCK INCENTIVE PLAN

PERFORMANCE SHARE AWARD AGREEMENT

PERFORMANCE SHARE AWARD AGREEMENT (the "Agreement") dated as of June 22, 2004, 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, 2004 and ending on December 31, 2006.

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, 2007 and (b) the dividends declared during the period commencing on January 1, 2004 and ending on December 31, 2006, 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, 2004.

      ii. "Peer Group" shall mean 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 2004, 2005, 2006 fiscal years or as otherwise approved by the Compensation Committee.

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 Capitol
Threshold	914	914
Target	1828	1828
Superior	2742	2742

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:

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

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 irrevocably 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, 2004 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 properly 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, state or local, 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: Roger A.

Jackson 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 Michigan, 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.

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

LEAR CORPORATION

By: /s/ Roger A. Jackson

Roger A. Jackson

Its: Senior Vice President, Human Resources

/s/ James H. Vandenberghe

[Participant's Signature]

Participant's Name and Address for notices hereunder

James H. Vandenberghe

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EXHIBIT 10.4

Douglas G. DelGrosso

LEAR CORPORATION
LONG-TERM STOCK INCENTIVE PLAN

PERFORMANCE SHARE AWARD AGREEMENT

PERFORMANCE SHARE AWARD AGREEMENT (the "Agreement") dated as of June 22, 2004, 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, 2004 and ending on December 31, 2006.

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, 2007 and (b) the dividends declared during the period commencing on January 1, 2004 and ending on December 31, 2006, 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, 2004.

      ii. "Peer Group" shall mean 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 2004, 2005, 2006 fiscal years or as otherwise approved by the Compensation Committee.

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 Capitol
Threshold	686	686
Target	1371	1371
Superior	2056	2056

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:

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

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 irrevocably 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, 2004 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 properly 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, state or local, 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: Roger A.

Jackson 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 Michigan, 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.

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

LEAR CORPORATION

By: /s/ Roger A. Jackson

Roger A. Jackson

Its: Senior Vice President, Human Resources

/s/ Douglas G. DelGrosso

[Participant's Signature]

Participant's Name and Address for notices hereunder

Douglas G. DelGrosso

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EXHIBIT 10.5

Donald J. Stebbins

LEAR CORPORATION
LONG-TERM STOCK INCENTIVE PLAN

PERFORMANCE SHARE AWARD AGREEMENT

PERFORMANCE SHARE AWARD AGREEMENT (the "Agreement") dated as of June 22, 2004, 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, 2004 and ending on December 31, 2006.

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, 2007 and (b) the dividends declared during the period commencing on January 1, 2004 and ending on December 31, 2006, 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, 2004.

        ii. "Peer Group" shall mean 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 2004, 2005, 2006 fiscal years or as otherwise approved by the Compensation Committee.

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 Capitol
Threshold	686	686
Target	1371	1371
Superior	2056	2056

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:

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

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 irrevocably 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, 2004 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 properly 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, state or local, 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: Roger A.

Jackson 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 Michigan, 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.

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

LEAR CORPORATION

By: /s/ Roger A. Jackson

Roger A. Jackson

Its: Senior Vice President, Human Resources

/s/ Donald J. Stebbins

[Participant's Signature]

Participant's Name and Address for notices hereunder

Donald J. Stebbins

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EXHIBIT 10.6

David C. Wajsgras

LEAR CORPORATION
LONG-TERM STOCK INCENTIVE PLAN

PERFORMANCE SHARE AWARD AGREEMENT

PERFORMANCE SHARE AWARD AGREEMENT (the "Agreement") dated as of June 22, 2004, 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, 2004 and ending on December 31, 2006.

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, 2007 and (b) the dividends declared during the period commencing on January 1, 2004 and ending on December 31, 2006, 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, 2004.

      ii. "Peer Group" shall mean 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 2004, 2005, 2006 fiscal years or as otherwise approved by the Compensation Committee.

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 Capitol
Threshold	584	584
Target	1168	1168
Superior	1752	1752

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:

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

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 irrevocably 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, 2004 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 properly 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, state or local, 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: Roger A.

Jackson 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 Michigan, 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.

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

LEAR CORPORATION

By: /s/ Roger A. Jackson

Roger A. Jackson

Its: Senior Vice President, Human Resources

/s/ David C. Wajsgras

[Participant's Signature]

Participant's Name and Address for notices hereunder

David C. Wajsgras

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EXHIBIT 10.7

Roger A. Jackson

LEAR CORPORATION
LONG-TERM STOCK INCENTIVE PLAN

PERFORMANCE SHARE AWARD AGREEMENT

PERFORMANCE SHARE AWARD AGREEMENT (the "Agreement") dated as of June 22, 2004, 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, 2004 and ending on December 31, 2006.

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, 2007 and (b) the dividends declared during the period commencing on January 1, 2004 and ending on December 31, 2006, 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, 2004.

        ii. "Peer Group" shall mean 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 2004, 2005, 2006 fiscal years or as otherwise approved by the Compensation Committee.

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 Capitol
Threshold	427	427
Target	853	853
Superior	1280	1280

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:

$$(TAS -- TS) \quad x \quad \frac{AP -- TP}{AP -- TP}$$

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 irrevocably 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, 2004 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 properly 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, state or local, 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: Roger A.

Jackson 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 Michigan, 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.

IN WITNESS WHEREOF, the Company and the Participant 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/ Roger A. Jackson

[Participant's Signature]

Participant's Name and Address for notices hereunder

Roger A. Jackson

EXHIBIT 10.8

Daniel A. Ninivaggi

LEAR CORPORATION
LONG-TERM STOCK INCENTIVE PLAN

PERFORMANCE SHARE AWARD AGREEMENT

PERFORMANCE SHARE AWARD AGREEMENT (the "Agreement") dated as of June 22, 2004, 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, 2004 and ending on December 31, 2006.

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, 2007 and (b) the dividends declared during the period commencing on January 1, 2004 and ending on December 31, 2006, 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, 2004.

      ii. "Peer Group" shall mean 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 2004, 2005, 2006 fiscal years or as otherwise approved by the Compensation Committee.

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 Capitol
Threshold	432	432
Target	863	863
Superior	1295	1295

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:

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

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 irrevocably 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, 2004 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 properly 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, state or local, 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: Roger A.

Jackson 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 Michigan, 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.

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

LEAR CORPORATION

By: /s/ Roger A. Jackson

Roger A. Jackson

Its: Senior Vice President, Human Resources

/s/ Daniel A. Ninivaggi

[Participant's Signature]

Participant's Name and Address for notices hereunder

Daniel A. Ninivaggi

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Exhibit 31.1

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 report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2004

By: /s/ Robert E. Rossiter

Robert E. Rossiter
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, David C. Wajsgras, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lear Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2004 By: /s/ David C. Wajsgras

David C. Wajsgras
Senior Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Lear Corporation (the "Company") on Form 10-Q for the period ended April 3, 2004, as filed with the Securities and Exchange Commission (the "Report"), the undersigned, as the Chief Executive Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 29, 2004 Signed: /s/ Robert E. Rossiter

Robert E. Rossiter
Chief Executive Officer

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

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

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Lear Corporation (the "Company") on Form 10-Q for the period ended April 3, 2004, as filed with the Securities and Exchange Commission (the "Report"), the undersigned, as the Chief Financial Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 29, 2004

Signed: /s/ David C. Wajsgras

David C. Wajsgras
Chief Financial Officer

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

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