

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 April 3, 2004.

OR

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

For the transition period from ____ to ____.

Commission file number: 1-11311

LEAR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

21557 Telegraph Road, Southfield, MI
(Address of principal executive offices)

13-3386776

(I.R.S. Employer Identification No.)

48034

(Zip code)

(248) 447-1500

(Registrant's telephone number, including area code)

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

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

As of April 30, 2004, the number of shares outstanding of the registrant's Common Stock, par value \$0.01 per share, was 68,936,012.

LEAR CORPORATION
FORM 10-Q
FOR THE QUARTER ENDED APRIL 3, 2004

INDEX

	<u>Page No.</u>
<u>Part I – Financial Information</u>	
<u>Item 1 – Consolidated Financial Statements</u>	
<u>Introduction to the Consolidated Financial Statements</u>	3
<u>Consolidated Balance Sheets - April 3, 2004 (Unaudited) and December 31, 2003</u>	4
<u>Consolidated Statements of Income (Unaudited) - Three Months Ended April 3, 2004 and March 29, 2003</u>	5
<u>Consolidated Statements of Cash Flows (Unaudited) - Three Months Ended April 3, 2004 and March 29, 2003</u>	6
<u>Notes to the Consolidated Financial Statements</u>	7
<u>Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	22
Item 3 – Quantitative and Qualitative Disclosures about Market Risk (included in Item 2)	
<u>Item 4 – Controls and Procedures</u>	32
<u>Part II – Other Information</u>	
<u>Item 1 – Legal Proceedings</u>	33
<u>Item 2 – Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities</u>	34
<u>Item 6 – Exhibits and Reports on Form 8-K</u>	35
<u>Signatures</u>	36
<u>Purchase and Transfer Agreement</u>	
<u>Certification of Principal Executive Officer</u>	
<u>Certification of Principal Financial Officer</u>	
<u>Sec. 906 – Certification by Chief Executive Officer</u>	
<u>Sec. 906 – Certification by Chief Financial Officer</u>	
<u>Purchase and Transfer Agreement</u>	
<u>Certification of Principal Executive Officer</u>	
<u>Certification of Principal Financial Officer</u>	
<u>Sec. 906 Certification by Chief Executive Officer</u>	
<u>Sec. 906 Certification by Chief Financial Officer</u>	

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)

	April 3, 2004	December 31, 2003
	(Unaudited)	
ASSETS		
<i>CURRENT ASSETS:</i>		
Cash and cash equivalents	\$ 146.7	\$ 169.3
Accounts receivable	2,630.3	2,200.3
Inventories	548.2	550.2
Recoverable customer engineering and tooling	178.8	169.0
Other	281.6	286.6
Total current assets	<u>3,785.6</u>	<u>3,375.4</u>
<i>LONG-TERM ASSETS:</i>		
Property, plant and equipment, net	1,779.9	1,817.8
Goodwill, net	2,927.6	2,940.1
Other	434.8	437.7
Total long-term assets	<u>5,142.3</u>	<u>5,195.6</u>
	<u>\$8,927.9</u>	<u>\$8,571.0</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
<i>CURRENT LIABILITIES:</i>		
Short-term borrowings	\$ 9.4	\$ 17.1
Accounts payable and drafts	2,611.5	2,444.1
Accrued liabilities	1,214.8	1,116.9
Current portion of long-term debt	3.4	4.0
Total current liabilities	<u>3,839.1</u>	<u>3,582.1</u>
<i>LONG-TERM LIABILITIES:</i>		
Long-term debt	2,049.8	2,057.2
Other	698.7	674.2
Total long-term liabilities	<u>2,748.5</u>	<u>2,731.4</u>
<i>STOCKHOLDERS' EQUITY:</i>		
Common stock, \$0.01 par value, 150,000,000 shares authorized; 72,811,828 shares issued as of April 3, 2004 and 72,453,683 shares issued as of December 31, 2003	0.7	0.7
Additional paid-in capital	1,045.3	1,027.7
Common stock held in treasury, 3,900,566 shares as of April 3, 2004 and 4,291,302 shares as of December 31, 2003, at cost	(106.5)	(110.8)
Retained earnings	1,520.5	1,441.8
Accumulated other comprehensive loss	(119.7)	(101.9)
Total stockholders' equity	<u>2,340.3</u>	<u>2,257.5</u>
	<u>\$8,927.9</u>	<u>\$8,571.0</u>

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

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

	Three Months Ended	
	April 3, 2004	March 29, 2003
Net sales	\$4,492.1	\$3,898.7
Cost of sales	4,145.2	3,590.1
Selling, general and administrative expenses	167.7	146.7
Interest expense	39.1	52.4
Other expense, net	14.1	12.5
Income before provision for income taxes	126.0	97.0
Provision for income taxes	34.6	29.1
Net income	\$ 91.4	\$ 67.9
Basic net income per share	\$ 1.34	\$ 1.03
Diluted net income per share	\$ 1.30	\$ 1.01

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

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

	Three Months Ended	
	April 3, 2004	March 29, 2003
Cash Flows from Operating Activities:		
Net income	\$ 91.4	\$ 67.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	83.1	74.4
Net change in recoverable customer engineering and tooling	(3.6)	(31.7)
Net change in working capital items	(66.0)	13.4
Other, net	22.3	26.0
Net cash provided by operating activities before net change in sold accounts receivable	127.2	150.0
Net change in sold accounts receivable	(70.4)	(53.4)
Net cash provided by operating activities	<u>56.8</u>	<u>96.6</u>
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(77.3)	(70.3)
Other, net	10.3	3.4
Net cash used in investing activities	<u>(67.0)</u>	<u>(66.9)</u>
Cash Flows from Financing Activities:		
Long-term debt repayments, net	(0.7)	(80.6)
Short-term debt borrowings (repayments), net	(7.5)	47.5
Dividends paid	(27.3)	—
Proceeds from exercise of stock options	12.3	1.5
Purchase of treasury stock	—	(1.1)
Increase in drafts	11.5	8.2
Net cash used in financing activities	<u>(11.7)</u>	<u>(24.5)</u>
Effect of foreign currency translation	(0.7)	(7.0)
Net Change in Cash and Cash Equivalents	<u>(22.6)</u>	<u>(1.8)</u>
Cash and Cash Equivalents as of Beginning of Period	<u>169.3</u>	<u>91.7</u>
Cash and Cash Equivalents as of End of Period	<u>\$ 146.7</u>	<u>\$ 89.9</u>
Changes in Working Capital:		
Accounts receivable	\$(400.1)	\$(461.7)
Inventories	(3.1)	1.5
Accounts payable	194.9	291.9
Accrued liabilities and other	142.3	181.7
Net change in working capital items	<u>\$ (66.0)</u>	<u>\$ 13.4</u>
Supplementary Disclosure:		
Cash paid for interest	<u>\$ 15.6</u>	<u>\$ 15.8</u>
Cash paid for income taxes	<u>\$ 53.3</u>	<u>\$ 54.3</u>

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 April 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	
	April 3, 2004	March 29, 2003
Net income, as reported	\$91.4	\$67.9
Add: Stock-based employee compensation expense included in reported net income, net of tax	2.6	0.7
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax	(6.6)	(5.9)
Net income, pro forma	<u>\$87.4</u>	<u>\$62.7</u>
Net income per share:		
Basic – as reported	\$1.34	\$1.03
Basic – pro forma	\$1.28	\$0.95
Diluted – as reported	\$1.30	\$1.01
Diluted – pro forma	\$1.24	\$0.93

(3) Facility Consolidations

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 are expected to be completed in the second quarter of 2004. Total facility consolidation costs associated with these actions are expected to be approximately \$50 million and are expected to be paid in 2004. However, the timing and amount of these costs may change based on labor negotiations and other factors.

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

(4) Acquisition

In April 2004, the Company signed a definitive purchase agreement to acquire the parent of GHW Grote & Hartmann GmbH (“Grote & Hartmann”), a manufacturer of electrical components based in Wuppertal, Germany. The total value of the transaction is approximately \$220 million, including the assumption of debt and other costs related to the transaction. Grote & Hartmann 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 transaction is subject to certain legal and regulatory approvals and other conditions and is expected to close by the end of the second quarter of 2004.

(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):

	April 3, 2004	December 31, 2003
Raw materials	\$383.5	\$399.1
Work-in-process	42.7	37.6
Finished goods	122.0	113.5
Inventories	<u>\$548.2</u>	<u>\$550.2</u>

(6) Property, Plant and Equipment

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

	April 3, 2004	December 31, 2003
Land	\$ 123.6	\$ 124.6
Buildings and improvements	673.2	673.7
Machinery and equipment	2,512.9	2,501.5
Construction in progress	31.9	61.3
Total property, plant and equipment	3,341.6	3,361.1
Less – accumulated depreciation	<u>(1,561.7)</u>	<u>(1,543.3)</u>
Net property, plant and equipment	<u>\$ 1,779.9</u>	<u>\$ 1,817.8</u>

(7) Goodwill

A summary of the changes in the carrying amount of goodwill, by reportable operating segment, for the three months ended April 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	<u>(1.4)</u>	<u>(7.3)</u>	<u>(3.8)</u>	<u>(12.5)</u>
Balance as of April 3, 2004	<u>\$1,022.0</u>	<u>\$1,015.6</u>	<u>\$890.0</u>	<u>\$2,927.6</u>

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

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

Debt Instrument	April 3, 2004		December 31, 2003	
	Long-Term Debt	Weighted Average Interest Rate	Long-Term Debt	Weighted Average Interest Rate
Credit facilities	\$ —	—	\$ —	—
Other	72.4	4.36%	74.2	4.34%
	72.4		74.2	
Less – current portion	(3.4)		(4.0)	
	69.0		70.2	
Zero-coupon Convertible Senior Notes, due 2022	276.5	4.75%	273.2	4.75%
8.125% Euro-denominated Senior Notes, due 2008	304.3	8.125%	313.8	8.125%
8.11% Senior Notes, due 2009	800.0	7.06%	800.0	7.18%
7.96% Senior Notes, due 2005	600.0	5.99%	600.0	6.36%
	1,980.8		1,987.0	
Long-term debt	\$2,049.8		\$2,057.2	

As of April 3, 2004, the Company's primary credit facilities consisted of a \$1.7 billion amended and restated credit facility, which matures on March 26, 2006, and a \$250 million revolving credit facility which matured on May 4, 2004. The Company has not sought a commitment from any lender to extend or replace its \$250 million revolving credit facility.

The Company's primary credit facilities contain 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 April 3, 2004, the Company was in compliance with all covenants and other requirements set forth in its primary credit facilities and senior notes.

The Company's obligations under its primary credit facilities and senior notes are guaranteed, on a joint and several basis, by certain of its significant subsidiaries. See Note 17, "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	
	April 3, 2004	March 29, 2003	April 3, 2004	March 29, 2003
Service cost	\$10.8	\$ 8.4	\$ 3.6	\$ 3.7
Interest cost	9.6	7.1	3.1	3.1
Expected return on plan assets	(7.2)	(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	1.3	1.0	(0.7)	(0.1)
Special termination benefits	0.1	—	0.1	—
Net periodic benefit cost	<u>\$15.3</u>	<u>\$12.9</u>	<u>\$ 7.4</u>	<u>\$ 7.9</u>

Contributions

Employer contributions to the Company's domestic and foreign pension plans for the three months ended April 3, 2004, were approximately \$4.2 million. There have been no significant changes in the Company's expected contributions from amounts previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

New Legislation

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") was enacted. The Act introduces 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 accordance with Financial Accounting Standards Board ("FASB") Staff Position 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," the measurement of postretirement benefit obligation and net periodic postretirement benefit cost reflected in the consolidated financial statements and notes to the consolidated financial statements does not reflect the effects of the Act. The Company does not expect the effects of the Act to have a material impact on its postretirement benefit obligation or its net periodic postretirement benefit cost. Specific proposed authoritative guidance on the accounting for the federal subsidy is pending approval and when issued, may require the Company to change previously reported plan information.

(10) 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	
	April 3, 2004	March 29, 2003
Weighted average common shares outstanding	68,445,037	65,780,634
Dilutive effect of common stock equivalents	<u>2,124,517</u>	<u>1,611,579</u>
Diluted shares outstanding	<u>70,569,554</u>	<u>67,392,213</u>

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

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	
	April 3, 2004	March 29, 2003
Antidilutive options	—	2,995,000
Exercise price	—	\$39.00 - \$54.22

The shares into which the Company's zero-coupon convertible senior notes are convertible are not included in the computation of diluted shares outstanding, as none of the contingent conversion events has occurred. 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.

(11) 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	
	April 3, 2004	March 29, 2003
Net income	\$ 91.4	\$67.9
Other comprehensive income (loss):		
Derivative instruments and hedging activities	0.6	(1.8)
Foreign currency translation adjustment	(18.4)	(3.0)
Other comprehensive loss	(17.8)	(4.8)
Comprehensive income	\$ 73.6	\$63.1

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

The Company incurs pre-production engineering, research and development ("ER&D") and tooling costs related to the products produced for its customers under long-term supply agreements. The Company expenses all pre-production ER&D costs for which reimbursement is not contractually guaranteed by the customer. In addition, the Company expenses all pre-production tooling costs related to customer-owned tools for which reimbursement is not contractually guaranteed by the customer or for which the customer has not provided a non-cancelable right to use the tooling. During the first quarters of 2004 and 2003, the Company capitalized \$56.6 million and \$46.7 million, respectively, of pre-production ER&D costs for which reimbursement is contractually guaranteed by the customer. In addition, during the first quarters of 2004 and 2003, the Company capitalized \$105.5 million and \$95.1 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 first three months of 2004 and 2003, the Company collected \$148.5 million and \$114.8 million, respectively, of cash related to ER&D and tooling costs.

During the first quarters of 2004 and 2003, the Company capitalized \$0.9 million and \$18.0 million, respectively, of Company-owned tooling. These amounts are included in property, plant and equipment, net, in the consolidated balance sheets.

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

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

	April 3, 2004	December 31, 2003
Current	\$178.8	\$169.0
Long-term	221.3	233.5
Recoverable customer engineering and tooling	\$400.1	\$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.

(13) 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 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. As of April 3, 2004 and December 31, 2003, the Company had recorded reserves for pending disputes, including commercial disputes and other matters, of \$32.0 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. However, the ultimate outcome of legal matters cannot be predicted with any degree of certainty, and the Company can provide no assurances in this regard.

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 lawsuits 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 three months ended April 3, 2004, is shown below (in millions):

Balance as of December 31, 2003	\$39.7
Expense, net	9.2
Settlements	(1.2)
Balance as of April 3, 2004	\$47.7

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

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 April 3, 2004 and December 31, 2003, the Company had recorded reserves for environmental matters of \$5.1 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. Since that time, the Company has been named again as a defendant in these same cases. During the first quarter of 2004, the Company and two of its subsidiaries were 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/or 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. In connection with the informal inquiry, the Company has received requests from the SEC to voluntarily produce documents and other relevant information concerning these matters and has done so. 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 inquiry.

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

(14) Segment Reporting

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

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

Three Months Ended April 3, 2004					
	Seating	Interior	Electronic and Electrical	Other	Consolidated
Revenues from external customers	\$3,007.9	\$ 817.3	\$ 666.9	\$ —	\$4,492.1
Income before interest, other expense and income taxes	148.3	28.7	58.7	(56.5)	179.2
Depreciation	32.5	27.1	17.7	5.8	83.1
Capital expenditures	34.2	21.3	21.8	—	77.3
Total assets	4,142.7	2,476.6	2,240.9	67.7	8,927.9

Three Months Ended March 29, 2003					
	Seating	Interior	Electronic and Electrical	Other	Consolidated
Revenues from external customers	\$2,697.1	\$ 677.7	\$ 523.9	\$ —	\$3,898.7
Income before interest, other expense and income taxes	137.1	29.0	51.9	(56.1)	161.9
Depreciation	31.6	25.8	16.7	0.3	74.4
Capital expenditures	14.0	29.5	25.6	1.2	70.3
Total assets	3,503.8	2,431.3	1,940.2	142.6	8,017.9

As of April 3, 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 March 29, 2003, reflect this change.

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	
	April 3, 2004	March 29, 2003
Income before interest, other expense and income taxes	\$179.2	\$161.9
Interest expense	39.1	52.4
Other expense, net	14.1	12.5
Income before provision for income taxes	<u>\$126.0</u>	<u>\$ 97.0</u>

(15) Financial Instruments

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

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

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 April 3, 2004 and December 31, 2003, accounts receivable totaling \$678.2 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 \$0.4 million and \$0.7 million was recognized in the three months ended April 3, 2004 and March 29, 2003, respectively, and 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.

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

	Three Months Ended	
	April 3, 2004	March 29, 2003
Repayments of securitizations	\$ —	\$ (30.0)
Proceeds from collections reinvested in securitizations	1,179.6	1,167.5
Servicing fees received	1.4	1.3

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 April 3, 2004, contracts designated as fair value hedges with \$877.0 million of notional amount were outstanding with maturities of less than six months. As of April 3, 2004, the fair value of these contracts was approximately \$5.0 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 April 3, 2004, contracts designated as cash flow hedges with \$685.4 million of notional amount were outstanding with maturities of less than nine months. As of April 3, 2004, the fair value of these foreign exchange contracts was approximately negative \$9.8 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 April 3, 2004, contracts representing \$900 million of notional amount were outstanding with maturity dates of May 2005 through May 2009, all of which relate to long-term fixed rate debt instruments. The fair value of these interest rate swap agreements is subject to changes in value due to changes in interest rates. As of April 3, 2004, the fair value of these interest rate swap agreements was approximately negative \$10.1 million.

As of April 3, 2004 and December 31, 2003, net losses of approximately \$12.7 million and \$13.7 million, respectively, related to derivative instruments and hedging activities were recorded in accumulated other comprehensive loss. As of April 3, 2004, all cash flow hedges were scheduled to mature within nine months, all fair value hedges of the Company's fixed rate debt instruments were scheduled to mature within six years, and all fair value hedges of the Company's foreign exchange exposure were scheduled to mature within six months. During the twelve month period ended April 2, 2005, the Company expects to reclassify into earnings net losses of approximately \$10.7 million recorded in accumulated other comprehensive loss. Such losses will be reclassified at the time the underlying hedged transactions are realized. During the three months ended April 3, 2004 and March 29, 2003, amounts recognized in

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

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 April 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 \$81.0 million.

(16) 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)

(17) Supplemental Guarantor Condensed Consolidating Financial Statements

April 3, 2004

	Parent	Guarantors	Non- guarantors	Eliminations	Consolidated
(Unaudited; in millions)					
ASSETS					
<i>CURRENT ASSETS:</i>					
Cash and cash equivalents	\$ 55.0	\$ 3.2	\$ 88.5	\$ —	\$ 146.7
Accounts receivable	22.8	405.3	2,202.2	—	2,630.3
Inventories	12.5	183.6	352.1	—	548.2
Recoverable customer engineering and tooling	2.8	96.4	79.6	—	178.8
Other	86.1	35.4	160.1	—	281.6
Total current assets	<u>179.2</u>	<u>723.9</u>	<u>2,882.5</u>	<u>—</u>	<u>3,785.6</u>
<i>LONG-TERM ASSETS:</i>					
Property, plant and equipment, net	128.5	743.7	907.7	—	1,779.9
Goodwill, net	100.1	1,906.7	920.8	—	2,927.6
Investments in subsidiaries	3,343.7	1,973.5	—	(5,317.2)	—
Other	107.2	75.0	252.6	—	434.8
Total long-term assets	<u>3,679.5</u>	<u>4,698.9</u>	<u>2,081.1</u>	<u>(5,317.2)</u>	<u>5,142.3</u>
	<u>\$ 3,858.7</u>	<u>\$5,422.8</u>	<u>\$4,963.6</u>	<u>\$(5,317.2)</u>	<u>\$8,927.9</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
<i>CURRENT LIABILITIES:</i>					
Short-term borrowings	\$ —	\$ 0.1	\$ 9.3	\$ —	\$ 9.4
Accounts payable and drafts	164.0	820.4	1,627.1	—	2,611.5
Accrued liabilities	154.3	429.3	631.2	—	1,214.8
Current portion of long-term debt	—	1.5	1.9	—	3.4
Total current liabilities	<u>318.3</u>	<u>1,251.3</u>	<u>2,269.5</u>	<u>—</u>	<u>3,839.1</u>
<i>LONG-TERM LIABILITIES:</i>					
Long-term debt	2,020.6	12.5	16.7	—	2,049.8
Intercompany accounts, net	(1,090.5)	1,478.9	(388.4)	—	—
Other	270.0	192.9	235.8	—	698.7
Total long-term liabilities	<u>1,200.1</u>	<u>1,684.3</u>	<u>(135.9)</u>	<u>—</u>	<u>2,748.5</u>
<i>STOCKHOLDERS' EQUITY</i>	<u>2,340.3</u>	<u>2,487.2</u>	<u>2,830.0</u>	<u>(5,317.2)</u>	<u>2,340.3</u>
	<u>\$ 3,858.7</u>	<u>\$5,422.8</u>	<u>\$4,963.6</u>	<u>\$(5,317.2)</u>	<u>\$8,927.9</u>

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

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

	December 31, 2003				
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
	(In millions)				
ASSETS					
<i>CURRENT ASSETS:</i>					
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	<u>155.2</u>	<u>673.0</u>	<u>2,547.2</u>	<u>—</u>	<u>3,375.4</u>
<i>LONG-TERM ASSETS:</i>					
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	1,888.8	—	(5,209.2)	—
Other	96.9	70.4	270.4	—	437.7
Total long-term assets	<u>3,644.9</u>	<u>4,631.7</u>	<u>2,128.2</u>	<u>(5,209.2)</u>	<u>5,195.6</u>
	<u>\$ 3,800.1</u>	<u>\$5,304.7</u>	<u>\$4,675.4</u>	<u>\$(5,209.2)</u>	<u>\$8,571.0</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
<i>CURRENT LIABILITIES:</i>					
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	<u>277.3</u>	<u>1,130.7</u>	<u>2,174.1</u>	<u>—</u>	<u>3,582.1</u>
<i>LONG-TERM LIABILITIES:</i>					
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	<u>1,265.3</u>	<u>1,690.2</u>	<u>(224.1)</u>	<u>—</u>	<u>2,731.4</u>
<i>STOCKHOLDERS' EQUITY</i>	<u>2,257.5</u>	<u>2,483.8</u>	<u>2,725.4</u>	<u>(5,209.2)</u>	<u>2,257.5</u>
	<u>\$ 3,800.1</u>	<u>\$5,304.7</u>	<u>\$4,675.4</u>	<u>\$(5,209.2)</u>	<u>\$8,571.0</u>

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

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

For the Three Months Ended April 3, 2004

	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
	(Unaudited; in millions)				
Net sales	\$237.7	\$2,100.4	\$2,852.0	\$(698.0)	\$4,492.1
Cost of sales	270.4	1,916.0	2,656.8	(698.0)	4,145.2
Selling, general and administrative expenses	35.4	58.9	73.4	—	167.7
Interest expense	12.0	18.3	8.8	—	39.1
Intercompany (income) expense, net	(98.5)	104.0	(5.5)	—	—
Other (income) expense, net	(1.8)	7.0	8.9	—	14.1
Income (loss) before provision (credit) for income taxes and equity in net income of subsidiaries	20.2	(3.8)	109.6	—	126.0
Provision (credit) for income taxes	(0.9)	10.6	24.9	—	34.6
Equity in net income of subsidiaries	(70.3)	(34.8)	—	105.1	—
Net income	<u>\$ 91.4</u>	<u>\$ 20.4</u>	<u>\$ 84.7</u>	<u>\$(105.1)</u>	<u>\$ 91.4</u>

For the Three Months Ended March 29, 2003

	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
	(Unaudited; in millions)				
Net sales	\$ 273.0	\$2,008.9	\$2,226.8	\$(610.0)	\$3,898.7
Cost of sales	276.7	1,830.8	2,092.6	(610.0)	3,590.1
Selling, general and administrative expenses	33.3	48.2	65.2	—	146.7
Interest expense	23.3	16.1	13.0	—	52.4
Intercompany (income) expense, net	(100.4)	83.2	17.2	—	—
Other (income) expense, net	6.0	15.2	(8.7)	—	12.5
Income before provision (credit) for income taxes and equity in net income of subsidiaries	34.1	15.4	47.5	—	97.0
Provision (credit) for income taxes	6.5	38.0	(15.4)	—	29.1
Equity in net income of subsidiaries	(40.3)	(22.8)	—	63.1	—
Net income	<u>\$ 67.9</u>	<u>\$ 0.2</u>	<u>\$ 62.9</u>	<u>\$(63.1)</u>	<u>\$ 67.9</u>

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

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

For the Three Months Ended April 3, 2004					
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
	(Unaudited; in millions)				
Net cash provided by operating activities	\$ 70.7	\$ 84.7	\$ (98.6)	\$ —	\$ 56.8
Cash Flows from Investing Activities:					
Additions to property, plant and equipment	(11.7)	(23.5)	(42.1)		(77.3)
Other, net	8.0	0.9	1.4	—	10.3
Net cash used in investing activities	(3.7)	(22.6)	(40.7)	—	(67.0)
Cash Flows from Financing Activities:					
Long-term repayments, net	(0.2)	(0.8)	0.3	—	(0.7)
Short-term repayments, net	(0.3)	—	(7.2)	—	(7.5)
Dividends paid	(27.3)	—	—	—	(27.3)
Proceeds from exercise of stock options	12.3	—	—	—	12.3
Increase in drafts	7.0	2.5	2.0	—	11.5
Change in intercompany accounts	(44.4)	(82.2)	126.6	—	—
Net cash used in financing activities	(52.9)	(80.5)	121.7	—	(11.7)
Effect of foreign currency translation	—	11.9	(12.6)	—	(0.7)
Net Change in Cash and Cash Equivalents	14.1	(6.5)	(30.2)	—	(22.6)
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	\$ 55.0	\$ 3.2	\$ 88.5	\$ —	\$146.7

For the Three Months Ended March 29, 2003					
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
	(Unaudited; in millions)				
Net cash provided by operating activities	\$ 65.9	\$118.5	\$ (87.8)	\$ —	\$ 96.6
Cash Flows from Investing Activities:					
Additions to property, plant and equipment	(1.9)	(41.8)	(26.6)		(70.3)
Other, net	—	2.7	0.7	—	3.4
Net cash used in investing activities	(1.9)	(39.1)	(25.9)	—	(66.9)
Cash Flows from Financing Activities:					
Long-term repayments, net	(79.7)	0.3	(1.2)	—	(80.6)
Short-term borrowings, net	50.5	(0.2)	(2.8)	—	47.5
Proceeds from exercise of stock options	1.5	—	—	—	1.5
Purchase of treasury stock	(1.1)	—	—	—	(1.1)
Increase in drafts	16.7	4.9	(13.4)	—	8.2
Change in intercompany accounts	(51.8)	(88.3)	140.1	—	—
Net cash used in financing activities	(63.9)	(83.3)	122.7	—	(24.5)
Effect of foreign currency translation	—	4.0	(11.0)	—	(7.0)
Net Change in Cash and Cash Equivalents	0.1	0.1	(2.0)	—	(1.8)
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	\$ 0.6	\$ 3.1	\$ 86.2	\$ —	\$ 89.9

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

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

Basis of Presentation — Certain of the Company's wholly-owned subsidiaries (the "Guarantors") have unconditionally fully guaranteed, on a joint and several basis, the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all of the Company's obligations under the primary credit facilities and the indentures governing the Company's senior notes, including the Company's obligations to pay principal, premium, if any, and interest with respect to the senior notes. The senior notes consist of \$600 million aggregate principal amount of 7.96% senior notes due May 15, 2005, \$800 million aggregate principal amount of 8.11% senior notes due May 15, 2009, 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 — During the three months ended April 3, 2004 and March 29, 2003, the Parent allocated \$21.7 million and \$32.3 million, 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):

	April 3, 2004	December 31, 2003
Senior notes	\$1,980.8	\$1,987.0
Other long-term debt	53.8	54.4
	2,034.6	2,041.4
Less — current portion	(1.5)	(1.6)
	<u>\$2,033.1</u>	<u>\$2,039.8</u>

The obligations of foreign subsidiary borrowers under the primary credit facilities 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 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. Our operating results also depend on the market share of our 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 these customers or 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. Our profitability could be negatively affected by increases in our operating costs. While recent increases in certain commodity costs, such as resins, leather, steel and diesel fuel, have impacted our operating results, the effect to date has been manageable. However, further increases in these commodity or other costs could materially reduce 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

[Table of Contents](#)

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.

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			
	April 3, 2004		March 29, 2003	
Net sales				
Seating	\$3,007.9	67.0%	\$2,697.1	69.2%
Interior	817.3	18.2	677.7	17.4
Electronic and electrical	666.9	14.8	523.9	13.4
Net sales	4,492.1	100.0	3,898.7	100.0
Gross profit	346.9	7.7	308.6	7.9
Selling, general and administrative expenses	167.7	3.7	146.7	3.8
Interest expense	39.1	0.9	52.4	1.3
Other expense, net	14.1	0.3	12.5	0.3
Provision for income taxes	34.6	0.8	29.1	0.8
Net income	\$ 91.4	2.0%	\$ 67.9	1.7%

Three Months Ended April 3, 2004 vs. Three Months Ended March 29, 2003

Net sales in the first quarter of 2004 were \$4.5 billion as compared to \$3.9 billion in the first quarter of 2003, an increase of \$593 million or 15%. Net foreign exchange rate fluctuations and new business, net of selling price reductions, increased net sales by \$307 million and \$245 million, respectively. Net sales also benefited from the impact of vehicle production volume, which contributed \$199 million to the increase. These increases were partially offset by the impact of mix, which negatively impacted net sales by \$159 million.

Gross profit and gross margin were \$347 million and 7.7% in the quarter ended April 3, 2004, as compared to \$309 million and 7.9% in the quarter ended March 29, 2003. The benefit from our productivity initiatives and other efficiencies, new business and net foreign exchange rate fluctuations contributed \$54 million, \$30 million and \$17 million, respectively, to the increase in gross profit. These increases were partially offset by selling price reductions, which, net of the impact of vehicle production volume and mix, reduced gross profit by \$54 million. Facility consolidation costs also negatively impacted gross profit by \$11 million.

Selling, general and administrative expenses, including research and development, were \$168 million in the three months ended April 3, 2004, as compared to \$147 million in the three months ended March 29, 2003. As a percentage of net sales, selling, general and administrative expenses were 3.7% and 3.8% in the first quarters of 2004 and 2003, respectively. Our investment in new programs and net foreign exchange rate fluctuations contributed \$12 million and \$10 million, respectively, to the increase in selling, general and administrative expenses in the first quarter of 2004.

Interest expense was \$39 million in the first quarter of 2004 as compared to \$52 million in the first quarter of 2003. Hedging activities and our reduced debt balance favorably impacted interest expense by \$9 million and \$2 million, respectively.

Table of Contents

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 \$14 million in the first three months of 2004 as compared to \$13 million in the first three months of 2003.

The provision for income taxes was \$35 million, representing an effective tax rate of 27.5%, in the current quarter as compared to \$29 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 our overall tax planning strategy, as well as the mix of our earnings outside of the United States. The effective tax rates for the first quarters 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 quarter of 2004 was \$91 million, or \$1.30 per diluted share, as compared to \$68 million, or \$1.01 per diluted share, in the first 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 and electrical distribution systems, primarily wire harnesses, wireless systems and interior control systems. Financial measures regarding each segment's income before interest, other expense and income taxes and income before interest, other expense and income taxes divided by net sales ("margin") are not measures of performance under accounting principles generally accepted in the United States ("GAAP"). Such measures are presented because we evaluate the performance of our reportable operating segments, in part, based on income before interest, other expense and income taxes. These measures should not be considered in isolation or as a substitute for net income, net cash provided by operating activities or other income 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 14, "Segment Reporting."

Seating

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

	Three months ended	
	April 3, 2004	March 29, 2003
Net sales	\$3,007.9	\$2,697.1
Income before interest, other expense and income taxes	148.3	137.1
Margin	4.9%	5.1%

Seating net sales were \$3.0 billion in the first quarter of 2004 as compared to \$2.7 billion in the first quarter of 2003, an increase of \$311 million or 12%. Net foreign exchange rate fluctuations and new business, net of selling price reductions, favorably impacted net sales by \$222 million and \$92 million, respectively. These increases were partially offset by the impact of vehicle production volume and mix, which reduced net sales by \$16 million. Income before interest, other expense and income taxes and the related margin on net sales were \$148 million and 4.9% in the first three months of 2004 as compared to \$137 million and 5.1% in the first three months of 2003. The benefit of our productivity initiatives and other efficiencies and net foreign exchange rate fluctuations contributed \$17 million and \$6 million, respectively, to the increase in income before interest, other expense and income taxes. Income before interest, other expense and income taxes also benefited from the impact of vehicle production volume and mix and new business. These increases were largely offset by the impact of selling price reductions and facility consolidation costs.

[Table of Contents](#)

Interior

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

	Three months ended	
	April 3, 2004	March 29, 2003
Net sales	\$817.3	\$677.7
Income before interest, other expense and income taxes	28.7	29.0
Margin	3.5%	4.3%

Interior net sales were \$817 million in the first quarter of 2004 as compared to \$678 million in the first quarter of 2003, an increase of \$140 million or 21%. New business, net of selling price reductions, and net foreign exchange rate fluctuations favorably impacted net sales by \$71 million and \$38 million, respectively. Net sales also benefited from the impact of vehicle production volume and mix, which increased net sales by \$42 million. Income before interest, other expense and income taxes and the related margin on net sales were \$29 million and 3.5% in the first three months of 2004 as compared to \$29 million and 4.3% in the first three months of 2003. The benefit of our productivity initiatives and other efficiencies contributed \$17 million to the increase in income before interest, other expense and income taxes. Income before interest, other expense and income taxes also benefited from new business. These increases were offset primarily by the impact of selling price reductions and vehicle production volume and mix and, to a lesser extent, facility consolidation costs. 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	
	April 3, 2004	March 29, 2003
Net sales	\$666.9	\$523.9
Income before interest, other expense and income taxes	58.7	51.9
Margin	8.8%	9.9%

Electronic and electrical net sales were \$667 million in the first quarter of 2004 as compared to \$524 million in the first quarter of 2003, an increase of \$143 million or 27%. New business, net of selling price reductions, and net foreign exchange rate fluctuations favorably impacted net sales by \$82 million and \$47 million, respectively. Net sales also benefited from the impact of vehicle production volume and mix, which increased net sales by \$15 million. Income before interest, other expense and income taxes and the related margin on net sales were \$59 million and 8.8% in the first three months of 2004 as compared to \$52 million and 9.9% in the first three months of 2003. The benefit of our productivity initiatives and other efficiencies contributed \$7 million to the increase in income before interest, other expense and income taxes. Income before interest, other expense and income taxes also benefited from the impact of vehicle production volume and mix and new business. These increases were partially offset by the impact of selling price reductions and facility consolidation costs. The decline in the margin on net sales was primarily due to the impact of selling price reductions, partially offset by the impact of vehicle production volume and mix and the benefit of our productivity initiatives and other efficiencies.

Facility Consolidations

We continually evaluate alternatives to align our business with the changing needs of our customers and to lower the operating cost 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 are expected to be completed in the second quarter of 2004. Total facility consolidation costs associated with these actions are expected to be approximately \$50 million and are expected to be paid in 2004. However, the timing and amount of these costs may change based on labor negotiations and other factors.

Acquisition

In April 2004, we signed a definitive purchase agreement to acquire the parent of GHW Grote & Hartmann GmbH ("Grote & Hartmann"), a manufacturer of electrical components based in Wuppertal, Germany. The total transaction value is approximately

[Table of Contents](#)

\$220 million, including the assumption of debt and other costs related to the transaction. Grote & Hartmann 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 transaction is subject to certain legal and regulatory approvals and other conditions and is expected to close by the end of the second quarter of 2004. 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 facilities. A substantial portion of our operating income is generated by our subsidiaries. As a result, we are dependent on the earnings and cash flows of and 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 \$57 million of cash during the first three months of 2004 as compared to \$97 million of cash during the first three months of 2003. An increase of \$24 million in net income in the current quarter was more than offset by the net change in working capital, including the net change in recoverable customer engineering and tooling, which collectively resulted in a \$51 million decrease in cash provided by operating activities between periods. Increases in accounts receivable and accounts payable were a use of \$400 million and a source of \$195 million of cash, respectively, in the first three months of 2004, reflecting increased production levels and the timing of payments received from our customers and made to our suppliers. Other current assets and accrued liabilities were a source of \$142 million of cash in the first three months of 2004, primarily as a result of the timing of commercial settlements, interest payments and payroll-related payments, offset by the timing of domestic and foreign tax payments.

Cash flows used in investing activities were \$67 million in the first three months of 2004 and 2003. In the current period, an increase in capital expenditures of \$7 million was offset by an increase in proceeds from the sales of fixed assets.

Cash flows used in financing activities decreased to \$12 million in the first three months of 2004 as compared to \$25 million in the first three months of 2003. Net repayments of our short-term and long-term debt were \$8 million in the first quarter of 2004 and \$33 million in the first quarter of 2003. In addition, proceeds from the exercise of stock options increased \$11 million between periods. These changes were partially offset by dividend payments of \$27 million in the current quarter.

Capitalization

In addition to cash provided by operating activities, we utilize a combination of committed credit facilities and long-term notes to fund our capital expenditures and working capital requirements. As of April 3, 2004 and December 31, 2003, our outstanding long-term debt balance was \$2.1 billion. For the three months ended April 3, 2004 and March 29, 2003, the weighted average interest rate, including rates under our committed credit facilities and the effect of hedging activities, was 5.9% and 6.9%, respectively.

We utilize uncommitted lines of credit as needed for our short-term working capital requirements. As of April 3, 2004 and December 31, 2003, our outstanding unsecured short-term debt balance was \$9 million and \$17 million, respectively. For the three months ended April 3, 2004 and March 29, 2003, the weighted average interest rate, including the effect of hedging activities, was 2.7% and 5.9%, respectively.

Primary Credit Facilities

As of April 3, 2004, our primary credit facilities consisted of a \$1.7 billion amended and restated credit facility, which matures on March 26, 2006, and a \$250 million revolving credit facility, which matured on May 4, 2004. As of April 3, 2004, we had no borrowings outstanding under our primary credit facilities and \$43 million committed under outstanding letters of credit, resulting in more than \$1.9 billion of unused availability under our primary credit facilities. We have not sought a commitment from any lender to extend or replace our \$250 million revolving 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 April 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

Table of Contents

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. We have not sought to release the guarantees and stock pledges at this time.

Senior Notes

As of April 3, 2004, we had \$2.1 billion of debt, including short-term borrowings, consisting primarily of \$277 million of zero-coupon senior notes due 2022, Euro 250 million (approximately \$304 million based on the exchange rate in effect as of April 3, 2004) of senior notes due 2008, \$600 million of senior notes due 2005 and \$800 million of senior notes due 2009.

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 April 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 \$125 million in the last nine months of 2004, \$114 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 April 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 April 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 April 3, 2004, the debt balance of Total Interior Systems – America, L.L.C. covered by our guarantees was \$32 million.

Accounts Receivable Factoring

Several of our European subsidiaries factor their accounts receivable with financial institutions. Such receivables are factored without recourse to us and are excluded from accounts receivable in our consolidated balance sheets. As of April 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:

	<u>Standard & Poor's Ratings Services</u>	<u>Moody's Investors Service</u>	<u>Fitch Ratings</u>
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 dividend 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. We expect to pay quarterly

Table of Contents

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. In 2003, we repurchased 31,800 shares of our outstanding common stock at an average purchase price of \$34.07 per share. 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 April 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 \$2 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 April 3, 2004, foreign exchange contracts representing \$1.6 billion of notional amount were outstanding with maturities of less than nine months. The fair value of these foreign exchange contracts as of April 3, 2004, was approximately negative \$5 million. A 10% change in the value of the U.S. dollar relative to all other currencies would result in a \$16 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 \$9 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

Table of Contents

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 April 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 \$9 million.

As of April 3, 2004, interest rate swap contracts representing \$900 million of notional amount were outstanding with maturity dates of May 2005 through May 2009, all of which relate to long-term fixed rate debt instruments. 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 April 3, 2004, was approximately negative \$10 million. A 100 basis point parallel shift in interest rates would result in a \$6 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 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. While recent increases in certain commodity costs, such as resins, leather, steel and diesel fuel, have impacted our operating results, the effect to date has been manageable. However, further increases in these commodity or other costs could materially reduce 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 three 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 April 3, 2004
UT Automotive	\$ 1.9	\$(0.5)	\$ 1.4
Delphi	13.0	(0.6)	12.4

During the first three months of 2003, we utilized \$0.6 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.

Outlook

For the second quarter of 2004, we expect net sales to be up about 5% from a year ago, to approximately \$4.3 billion. This reflects the assumed impact of foreign currency fluctuations and the addition of new business globally. Net income per share is expected to be

Table of Contents

in the range of \$1.55 to \$1.65. Our second quarter 2004 net income per share guidance assumes 70.9 million shares outstanding and does not reflect the potential dilutive impact of our convertible senior notes.

For the full year, we expect net sales to be approximately \$16.6 billion, compared with \$15.7 billion in 2003. This increase primarily reflects the addition of new business globally and the estimated impact of the Grote & Hartmann acquisition, assuming a June 30, 2004, closing. The impact of unfavorable mix is expected to be largely offset by favorable foreign currency fluctuations. Our industry production planning assumptions are 16.0 million units for North America and 18.2 million units for Europe (16.0 million units for Western Europe). Given this industry outlook and a forecasted tax rate of approximately 28%, net income per share is expected to be in the range of \$5.85 to \$6.25. Our full year 2004 net income per share guidance assumes 71.0 million shares outstanding and does not reflect the potential dilutive impact of our convertible senior notes. Full year capital spending is forecasted to be approximately \$350 million.

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

- general economic conditions in the markets in which we operate, 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 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;
- 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;
- the outcome of legal or regulatory proceedings;
- unanticipated changes in cash flow; and
- other risks, described from time to time in our other Securities and Exchange Commission filings.

Statements regarding the pending Grote & Hartmann acquisition are also included. Actual events or results may differ materially from anticipated events or results as a result of certain risks and uncertainties, including, but not limited to, whether or not the conditions to the completion of the transaction are satisfied, the possibility that the transaction will not close, the timing of the closing of the transaction and our ability to successfully integrate Grote & Hartmann’s operations.

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 April 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. However, the ultimate outcome of legal matters cannot be predicted with any degree of certainty, and we can provide no assurances in this regard.

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 lawsuits 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. Since that time, we have been named again as a defendant in these same cases. During the first quarter of 2004, the Company and two of our subsidiaries were 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

Table of Contents

residents and/or owned property near the facility or worked at the facility. Each of these complaints seeks compensatory and/or 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. In connection with the informal inquiry, we have received requests from the SEC to voluntarily produce documents and other relevant information concerning these matters and have done so. 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 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 approved a common stock repurchase program, which was recently extended until May 2006. No shares of our common stock were repurchased under this program during the quarter ended April 3, 2004.

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.
- 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 April 3, 2004.

On January 8, 2004, the Company filed a Current Report on Form 8-K dated January 8, 2004, under Item 9, Regulation FD Disclosure, reporting an increase in its five-year sales backlog, providing 2004 financial guidance and filing the visual slides from the presentation made by certain officers of Lear Corporation at the Automotive Analysts of New York 2004 Detroit Automotive Conference on January 8, 2004. *

On January 26, 2004, the Company filed a Current Report on Form 8-K dated January 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 fourth quarter and full year of 2003 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 fourth quarter and full year 2003 earnings call conducted on January 26, 2004. *

On February 3, 2004, the Company filed a Current Report on Form 8-K dated February 3, 2004, under Item 5, Other Events and Regulation FD Disclosure, announcing the appointment of Anne K. Bingaman to the Company's Board of Directors and the declaration by the Board of Directors of a quarterly cash dividend.

On February 5, 2004, the Company filed a Current Report on Form 8-K dated February 2, 2004, under Item 4, Change in Registrant's Certifying Accountant, reporting that it, as the Plan Administrator of the Lear Corporation Salaried Retirement Savings Plan, the Lear Corporation Hourly Retirement Savings Plan and the Lear Corporation Hourly 401(k) Savings Plan (each a "Plan"), had dismissed PricewaterhouseCoopers LLP as the independent public accountants for each Plan and engaged Ernst & Young LLP to serve as the independent public accountants for each Plan for the fiscal year ended December 31, 2003.

* 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.

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: May 13, 2004

By: /s/ Robert E. Rossiter
Robert E. Rossiter
President and Chief Executive Officer

By: /s/ David C. Wajsgas
David C. Wajsgas
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	
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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.

NUMMER 323 DER URKUNDENROLLE FUR 2004

[LOGO]

RECORDED

in Frankfurt am Main, this 4th / 5th day of April, 2004

The following parties under 1., 2. and 3. (hereinafter the, Deponents")
today appeared before me, the undersigned Notary

DR. GERHARD PILGER

Practising in the district of the High Regional Court of Frankfurt am Main

who, at the request of the deponents, rendered himself to the offices of Mayer,
Brown, Rowe & Maw LLP, Bockenheimer Landstr. 98-100, 60323 Frankfurt am Main

1. Mr Dipl.-Kfm. Franz Margraf, born 8 October 1947, of: Luisenstr. 11, 58332 Schwelm,

- acting not in his own name but in his capacity as managing director (being exempted from the restrictions of Section 181 of the German Civil Code ("BGB") and authorised to act as sole representative) of

a) GHW Verwaltungs GmbH

which has its registered office in Wuppertal at Am Kraftwerk 13, 42369 Wuppertal and is recorded in the commercial register held at the Local Court of Wuppertal under HR B 10754,

- hereinafter referred to as "GHW VERWALTUNG" -

- which entity is acting both on its own behalf and as the general partner (being authorised to act as sole representative) of

b) GHW Gebäudemanagement GmbH & Co. KG

which has its registered office in Wuppertal at Am Kraftwerk 13, 42369 Wuppertal and is recorded in the commercial register held at the Local Court of Wuppertal under HR A 17416

-hereinafter referred to as the "GHW GEBAUDEMANAGEMENT" -.

2. a) Mr. Jorg Swoboda,
residing at Kollwitzstra(βe) 17,
60488 Frankfurt am Main

- acting not in his own name and on his own behalf, but for Ms. Ruth Matzler, residing at Kreuzberg-Promenade 39, A-5026 Salzburg, on the basis of (i) the notarially certified power of attorney dated April 3, 2004 and (ii) the notarially certified sub-power of attorney dated April 4, 2004 certified copies of which are attached hereto in Annex Set N.

b) Mr. Dirk Lange,
residing at Faunastra(βe) 27,
40239 Dusseldorf,

- acting not in his own name and on his own behalf, but for Mr . Klaus Hartmann, residing at Im Leimenacker 3, 64658 Furth-Steinbach, on the basis of the notarially certified power of attorney dated April 4, 2004 certified copies of which are attached hereto in Annex Set N.

- the persons represented by the deponents under 2. a) and 2. b) hereinafter

collectively referred to as the "SELLERS" -.

III

3. Mr. John A. Faylor,
with business address at
Bockenheimer Landstra(eta)e 98-100,
60323 Frankfurt am Main

not acting in his own name, but on the basis of a notariially
certified power of attorney of Mr. Paul R. Jefferson,

residing at 22, rue Guynemer,
78600 Maisons-Laffitte, France,

- given in his capacity as managing director (being exempted
from the restrictions of Section 181 BGB and authorised to act
as sole representative) - for

a) Lear Corporation Holding GmbH

which has its registered office in Munich and is recorded in
the Commercial Register held at the Local Court of Munich
under HR B 151862,

- hereinafter referred to as "PURCHASER" -,

b) Lear Corporation Verwaltungs GmbH

which has its registered office in Ginsheim-Gustavsburg at Vor
der Schanz 1-5, 65461 Ginsheim-Gustavsburg and is recorded in
the Commercial Register held at the Local Court of Darmstadt
under HR B 53571,

- hereinafter referred to as "LEAR VERWALTUNG" -,

-the Sellers, the Purchaser,
GHW Verwaltung and Lear Verwaltung
shall hereinafter be referred to individually
as a "PARTY" or collectively as the "PARTIES"-.

c) Lear Corporation Verwaltungs GmbH,

acting in its capacity as the only general partner of

Lear Corporation GmbH & Co. KG

which has its registered office in Ginsheim-Gustavsburg at Vor der Schanz 1-5, 65461 Ginsheim-Gustavsburg and is recorded in the Commercial Register held at the Local Court of Darmstadt under HR A 53091

- hereinafter referred to as the "GUARANTOR" -,

also appearing with Mr. John A. Faylor were Mr. Paul R. Jefferson and Mr. Thomas Saeli. These persons stated that they did not wish to render a legal declaration, but merely wished to evidence their presence at the recording of this notarial deed.

The Deponents proved their identity by producing valid photo identification:

- - the Deponent under 1. submitted his valid German passport No. 9112086104;
- - the Deponent under 2. a) submitted his valid German passport No. 4008106021;
- - the Deponent under 2. b) submitted his valid German identity card No. 5004947597;
- - the Deponent under 3. is personally known to the notary;

Mr. Paul R. Jefferson is personally known to the notary as well. Mr. Thomas Saeli presented his US passport. Both are not considered to be Deponents in the following.

The following documents were produced in order to verify the respective Parties' powers of representation:

- - the Deponent under 1. submitted certified commercial register extracts for GHW Verwaltungs GmbH and GHW Gebäudemanagement GmbH & Co. KG; and
- - the Deponent under 2 a). submitted a notarially certified power of attorney and a notarially certified sub-power of attorney;
- - the Deponent under 2 b) submitted a notarially certified power of attorney;
- - the Deponent under 3. submitted a notarially certified power of attorney and certified commercial register extracts for Lear Corporation Beteiligungs GmbH, Lear Corporation Verwaltungs GmbH, Lear Corporation GmbH & Co. KG, a simple copy of the note of entry regarding the registration of Lear Corporation Holding GmbH - a certified excerpt from the commercial register will be provided to the notary as soon

as available - and a notarially certified copy of the shareholder's resolution of Lear Corporation Holding GmbH of March 31, 2004 in which Paul Jefferson was appointed managing director.

A certified copy of each of the aforementioned documents verifying powers of representation are annexed to this instrument as Annex Set N.

This instrument is drafted in English and will be read out in English at the request of the Deponents. The notary has ascertained to his satisfaction that the Deponents have, and the notary confirms that he himself has, adequate command of the English language.

The Deponents, acting in the capacities described above and having given an answer in the negative to the question of whether there had been any prior involvement (Vorbefassung) within the meaning of Section 3 (1) No. 7 of the German Notarisation Act ("BeurkG"), requested notarisation of the following

PURCHASE AND
TRANSFER AGREEMENT RELATING TO ALL OF THE
INTERESTS IN
GHW GEBAUDEMANAGEMENT GMBH & CO. KG:

TABLE OF CONTENTS

	PAGE

Section 1 BACKGROUND.....	2
Section 2 SALE AND PURCHASE	3
Section 3 PURCHASE PRICES, DUE DATE	4
Section 4 COMPLETION	6
Section 5 SELLERS' WARRANTIES	8
Section 6 LEGAL CONSEQUENCES OF A BREACH OF WARRANTY	24
Section 7 TIME LIMITATIONS	27
Section 8 WAIVER OF CLAIMS	28
Section 9 RIGHTS TO NAMES	30
Section 10 SELLERS' PARTICIPATION IN LIABILITY DISPUTES	31
Section 11 DUTIES PRIOR TO CLOSING	32
Section 12 NON-COMPETE COVENANT	34
Section 13 CONDITIONS PRECEDENT	35
Section 14 MERGER CONTROL	38
Section 15 CONFIDENTIALITY, PRESS RELEASES AND OTHER DISCLOSURES	40
Section 16 JOINT LIABILITY OF GUARANTOR, GUARANTEE	41
Section 17 CONSENT REQUIREMENTS	41
Section 18 WRITING REQUIREMENT	42
Section 19 COSTS AND TAXES	42
Section 20 CHOICE OF LAW, JUDICIAL FORUM	42
Section 21 MISCELLANEOUS	43
Section 22 INSTRUCTIONS AND ADVICE OF THE NOTARY	45

VII

SCHEDULE OF ANNEXES

Annex Set N	Documents evidencing powers of representation
Annex P.1.	Associated Companies
Annex 1.3	Appraisal (Sachgrundungsbericht)
Annex 1.6	Shareholder loans/Assignment/Acknowledgment of debt
Annex 3.6	Escrow Agreement
Annex 4.2	Completion Memorandum
Annex 4.2 (a)	Draft notification letter GHW Gebäudemanagement
Annex 4.2 (b)	Draft notification letter Company
Annex 5.1.1 (a)	Security Pool Agreement
Annex 5.1.1 (b)	Third party rights relating to shares in Associated Companies
Annex 5.1.5	List of silent participations, participation loans, or similar obligations
Annex 5.2.2 (a)	Disposition of fixed assets
Annex 5.2.2 (b)	List of collateral and other security
Annex 5.2.4	List of bank accounts and authorised signatories
Annex 5.2.5 (a)	List of debt and respective agreements with financial institutions
Annex 5.2.5 (b)	List of banks, bank credit lines, amounts drawn down thereunder and statements of account
Annex 5.2.7	List of factoring agreements
Annex 5.2.8	Management accounts

VIII

Annex 5.3.1	List of agreements with the Seller or closely-related persons
Annex 5.3.2 (a)	List of equity joint venture and written cooperation agreements
Annex 5.3.2 (b)	List of substantial oral cooperation agreements
Annex 5.3.2 (c)	List of agreements containing change of control clauses
Annex 5.3.3	List of insurance policies
Annex 5.3.4	List of key contracts
Annex 5.3.4 d)	List of licensed software
Annex 5.4.1	List of industrial property rights
Annex 5.4.2	List of public subsidies and grants
Annex 5.4.3	List of legal disputes
Annex 5.4.5	List of transactions outside the ordinary course of business
Annex 5.4.6 (a)	List of transactions involving assets outside the ordinary course of business
Annex 5.4.6 (b)	Capital Expenditure
Annex 5.4.8	Product Liability Claims
Annex 5.4.9	List of real property
Annex 5.4.10 (a)	List of materially adverse circumstances
Annex 5.4.10 (b)	Material customer relationships
Annex 5.4.11	List of Employees
Annex 5.6.7	Partnership Agreement GHW Gebäudemanagement
Annex 5.6.9	Draft annual financial statements GHW Gebäudemanagement 2003
Annex 5.6.12	List of bank accounts GHW Gebäudemanagement

IX

Annex 5.6.13	Distributions/Payments GHW Gebäudemanagement
Annex 5.6.16	Liabilities GHW Gebäudemanagement
Annex 5.6.17	List of contracts GHW Gebäudemanagement and List of intra-group contracts Gebäudemanagement
Annex 5.6.22	List of employment agreements GHW Gebäudemanagement
Annex 11.1	List of sensitive information
Annex 13.1 (b) (i)	Draft resolution on change of legal form
Annex 13.1 (b) (ii)	Draft share transfer agreement
Annex 13.1 (b) (iii)	Draft revised shareholders' list
Annex 13.1 (b) (v)	Draft notification letter regarding change of legal form
Annex Set 17.2	Minutes of the shareholders' meeting and the resolution of the supervisory board
Annex 21.7	Confidentiality agreement

LIST OF DEFINITIONS

Seller	Recitals
Purchaser	Recitals
Party	Recitals
Parties	Recitals
Guarantor	Recitals
Associated Companies	Preamble
Company	Section 1.1
Limited Partnership	Section 1.2
Receivables	Section 1.6
Closing Date	Section 2.5
Closing	Section 2.5
Interests	Section 2.7
Purchase Price	Section 3.1
Escrow Amount	Section 3.6
Escrow Agreement	Section 3.6
Completion Date	Section 4
Completion	Section 4
This Day	Section 5 sentence 2
Pre-Existing-Contamination	Section 5.4.4.
Taxes	Section 5.4.7
Refusal Letter	Section 6.1

PREAMBLE

1. The Sellers are the only limited partners in GHW Gebäudemanagement with a limited partner's capital interest (Haft- und Pflichteinlage) of EUR 5,000,000.00 each. GHW Verwaltung is GHW Gebäudemanagement's sole general partner without any capital interest.
2. GHW Gebäudemanagement is the sole shareholder of GHW Grote & Hartmann GmbH, Wuppertal, and holds no other participations in other companies.
3. The Purchaser intends to acquire the Sellers' interests and GHW Verwaltung's interest in GHW Gebäudemanagement and thus indirectly acquire GHW Gebäudemanagement's interests in GHW Grote & Hartmann GmbH as well as GHW Grote & Hartmann GmbH's direct and indirect interests in the other entities described in Annex P.1

- the other entities are hereinafter

also referred to as the "ASSOCIATED COMPANIES" -.

4. Prior to the effectiveness of the aforementioned acquisition of all of the interests in GHW Gebäudemanagement by the Purchaser, GHW Grote & Hartmann GmbH's legal form shall be converted from a GmbH to a GmbH & Co. KG with GHW Verwaltung becoming the sole general partner of the future GHW Grote & Hartmann GmbH & Co. KG and with GHW Gebäudemanagement becoming the sole limited partner in the future GHW Grote & Hartmann GmbH & Co. KG as described in more detail in Section 13 1. b).
5. GHW Gebäudemanagement also holds claims against GHW Grote & Hartmann GmbH, which stem from shareholder loans and which the Purchaser also intends to indirectly acquire via its acquisition of the interests in GHW Gebäudemanagement.
6. The Guarantor is a German group company of the Purchaser.

Now therefore, the Parties agree as follows:

SECTION 1
BACKGROUND

1.1 GHW Gebäudemanagement holds as sole shareholder a share with a nominal value of EUR 30,457,600 in GHW Grote & Hartmann GmbH, which is recorded in the commercial register held at the Local Court of Wuppertal under HR B 12541, has a nominal capital of EUR 32,000,000, and has its registered office in Wuppertal,

- hereinafter also referred to as the "COMPANY", it being understood that this term relates to the company before and after the conversion addressed in No. 4 of the Preamble -.

1.2 The Company was originally founded as Grote & Hartmann GmbH & Co. KG with its registered office in Wuppertal

- hereinafter referred to as the "LIMITED PARTNERSHIP" -

which was reorganised in accordance with Sections 190 et seq. of the German Reorganisation Act ("UmwG") in accordance with a resolution dated 16 July 2003, which was notarised by Stefanie Steinkamp, notary, practising in Wuppertal (instrument no. 974/2003), and recorded in the commercial register held at the Local Court of Wuppertal on 28 August 2003. The version of the Company's articles of association contained in the aforementioned instrument remains unchanged.

1.3 The Company's nominal capital was fully paid in by virtue of the change in legal form described in Section 1.2. In this respect, after deducting debts, the remaining assets of the Limited Partnership were, on the basis of an appraisal (Sachgrundungsbericht) attached hereto as Annex 1.3, determined to be equivalent to the amount of the Company's nominal capital, and the shares held by the partners of the Limited Partnership in the Limited Partnership's assets were equivalent to the initial contributions created at that time (EUR 30,457,600 and EUR 1,542,400).

1.4 In the course of changing the legal form as described in Section 1.2, the share referred to in Section 1.1 with a nominal value of EUR 30,457,600 was granted to GHW Gebäudemanagement, and a share with a nominal value of EUR 1,542,400 was granted to Hartmann Metallwaren GmbH, with registered office in Wuppertal. Hartmann Metallwaren GmbH was then merged with the Company pursuant to a merger agreement and shareholders' resolutions dated 26 July 2003, which were notarised by Stefanie Steinkamp, notary, practising in Wuppertal (instrument no. 976/2003 and instrument no. 977/2003), as well as by virtue of registration in the relevant commercial

register on 10 October 2003, and the Company thus acquired its own share with a nominal value of EUR 1,542,400.

- 1.5 The sole managing director of the Company is Mr Franz Margraf, an MBA graduate (Dipl.-Kfm.) and the 1st Deponent.
- 1.6 Today GHW Gebäudemanagement has receivables against the Company, which are based on the loan agreements contained in Annex 1.6 ("Receivables"). The Sellers transferred such Receivables to the GHW Gebäudemanagement pursuant to the agreements contained in Annex 1.6. As of This Day, the Receivables total, including accrued interest, EUR 3,455,084.80. The Company has issued a corresponding acknowledgment of debt, which is contained in Annex 1.6.

SECTION 2
SALE AND PURCHASE

- 2.1 The Sellers hereby sell, and agree to transfer as provided for in Section 4, to the Purchaser all of their limited partners' interests as described in No. 1 of the Preamble, together with all partners' accounts including loan accounts, owned by the Sellers. The Purchaser hereby accepts the sale and the subsequent transfer of such interests as provided for in Section 4.
- 2.2 [deleted]
- 2.3 GHW Verwaltung hereby agrees to transfer as provided for in Section 4, to Lear Verwaltung its general partner's interest (Komplementarstellung) in GHW Gebäudemanagement as described in No. 1 of the Preamble. Lear Verwaltung hereby accepts the transfer of such interest as provided for in Section 4.
- 2.4 GHW Verwaltung hereby agrees to transfer as provided for in Section 4, to Lear Verwaltung its future general partner's interest in the future GHW Grote & Hartmann GmbH & Co. KG (which will come into existence once the Company has changed its legal form to a GmbH & Co. KG as provided for in Section 13 1. b)). Lear Verwaltung hereby accepts the transfer of such interest as provided for in Section 4.
- 2.5 The transfers of the Interests take effect contractually as between the Parties as of 24:00 hours on the date on which the last of the conditions for releasing the funds in the

trust account as mentioned in Section 3.4 (i) through (iv) have been met (hereinafter the "CLOSING" or the "CLOSING DATE" (Wirksamkeit oder Wirksamkeitstag)).

- 2.6 The Parties agree that the profit rights, including rights to withdrawals attaching to the limited partners' interests being sold may be exercised by the Purchaser as of the Closing Date, and such rights may also relate to the current financial year and to financial years, which ended prior to the Closing Date to the extent profit or drawing rights were not exercised. This was taken into account in calculating the Purchase Price under Section 3.1.
- 2.7 All of the limited partner's interests in GHW Gebaudemanagement, the general partner's interest of GHW Verwaltung in GHW Gebaudemanagement and the general partner's interest of GHW Verwaltung in the future [GHW Grote & Hartmann GmbH & Co. KG] shall in this Agreement collectively be referred to as the "INTERESTS".

SECTION 3
PURCHASE PRICES, DUE DATE

- 3.1 The purchase price to be paid to the Sellers for the Interests
-hereinafter referred to as the "PURCHASE PRICE" -
shall be
EUR 60,000,000
("sixty million Euros").
- 3.2 [deleted]
- 3.3 [deleted]
- 3.4 Except as otherwise provided in Section 3.6 hereof, within 10 banking days (Frankfurt/Main) of the conditions precedent set forth in Section 13.1 being satisfied, the Purchaser must pay, in Euros, an amount of EUR 48,000,000, unconditionally, and clear of any fees and charges into the following trust account held by the officiating notary:

Bank is to be chosen by the notary at his own discretion. Bank and Bank Account are to be notified by the notary.

The officiating notary is hereby irrevocably instructed to immediately release the funds including any interests accrued in this trust account to the Sellers upon receipt of, submitted by either of the Sellers or the Purchaser or obtained by the notary himself, the following certified excerpts from the Commercial Register of the Local Court of Wuppertal showing that

- (i) the Purchaser is registered as the only limited partner of GHW Gebäudemanagement and
- (ii) Lear Verwaltung is registered as the only general partner of GHW Gebäudemanagement and
- (iii) Lear Verwaltung is registered as the only general partner of the future [GHW Grote & Hartmann GmbH & Co. KG] (which will come into existence once the Company has changed its legal form to a GmbH & Co. KG as provided for in Section 13 1. b)) and
- (iv) GHW Gebäudemanagement is the only limited partner of such future [GHW Grote & Hartmann GmbH & Co. KG].

The released amounts shall be transferred via express wire transfer (Blitzüberweisung) in equal portions to the accounts of the Sellers, details of which shall be notified to the notary by the Sellers.

The costs of the trust account shall be shared equally between the Purchaser on the one hand and the Sellers on the other hand.

If the registrations referred to in this Section 3.4 have not occurred within four months following the date on which payment into the trust account has been made, the provisions of Section 13.3 shall apply.

- 3.5 If the Purchase Price has not been credited to the trust account (Section 3.4) and the escrow account (Section 3.6) by the due dates as per Section 3.4 and Section 3.6, then the Purchaser must pay default interest on the outstanding amount at a rate that is 6.0 percentage points higher than the respective base interest rate under Section 247 BGB. The Sellers reserve the right to demand compensation for any greater damage or to rescind this Agreement.

The Purchase Price shall bear interest at a rate of 3 % per annum from the date on which the last of the anti-trust approvals referred to in Section 13.1 a) is received until the date upon which the funds in the trust account referred to in Section 3.4 are released to the Sellers pursuant to the provisions in Section 3.4. The interest due shall be reduced by the aggregate amount of interest accruing on the funds in the escrow account in the period until the funds in the trust account are released and of interest accruing on the funds in the trust account to the date of release of the funds in the trust. The payment of such interest determined as provided for in this paragraph shall be paid to the Sellers' accounts specified in equal portions within 10 banking days (Frankfurt/Main) after the release of the funds in the trust account.

3.6 Within 10 banking days (Frankfurt/Main) of the conditions precedent set forth in Section 13.1 being satisfied, the Purchaser must deposit the remaining amount of EUR 12,000,000 (the "ESCROW AMOUNT") in an interest-bearing escrow account in the name of the Sellers to be held and administered by Michael H. Spring, pursuant to the terms of the escrow agreement (the "ESCROW AGREEMENT") contained in Annex 3.6 hereof. The Escrow Amount shall serve as Purchaser's security for the observance of Sellers' warranties as set forth in Section 5 hereof as provided for in detail in the Escrow Agreement.

SECTION 4 COMPLETION

4.1 Subject to the occurrence of the conditions precedent that:

a) the conditions precedent set forth in Section 13.1 are satisfied;

and

b) the Purchase Price is paid into the trust and escrow accounts in accordance with Section 3.4 and 3.6 above;

- the day on which payment of the Purchase Price occurs shall be referred to as "COMPLETION" or "COMPLETION DATE" (Vollzug oder Vollzugstag) -.

the Sellers hereby assign all of their limited partners' interests, together with all partners' accounts including loan accounts, in GHW Gebäudemanagement sold pursuant to Section 2.1, i.e. Ms Ruth Matzler assigns her limited partner's interest in the amount of EUR 5,000,000 (Haft- und Pflichteinlage), together with all partner's accounts including loan accounts, and Mr. Klaus Hartmann assigns his limited partner's

interest in the amount of EUR 5,000,000 (Haft- und Pflichteinlage), together with all partner's accounts including loan accounts, to the Purchaser and the Purchaser accepts such assignments, whereby such assignments shall only become effective upon registration of the Purchaser as successor in title to the Sellers' limited partners' interests in the commercial register, and

GHW Verwaltung hereby assigns its general partner's interest in GHW Gebäudemanagement to Lear Verwaltung and Lear Verwaltung accepts such assignment, whereby such assignment shall only become effective upon registration of the Purchaser as the new limited partner of GHW Gebäudemanagement in the commercial register, and

GHW Verwaltung hereby assigns its future general partner's interest in the future [GHW Grote & Hartmann GmbH & Co. KG] (which will come into existence once the Company has changed its legal form to a GmbH & Co. KG as provided for in Section 13 1. b)) to Lear Verwaltung and Lear Verwaltung accepts such assignment, whereby such assignment shall only become effective upon registration of the Purchaser as the new limited partner of GHW Gebäudemanagement in the commercial register.

4.2 On the Completion Date, the Parties shall

- (i) sign a completion memorandum in substantially the form as attached as Annex 4.2 in which they confirm that the conditions precedent contained in Section 13.1 have occurred, that the Purchase Price has been paid as provided for in Section 3.4 and Section 3.6, and in which they confirm and repeat the transfers of the Interests as contained in Section 4.1; and
- (ii) the Sellers, the Purchaser, GHW Verwaltung and Lear Verwaltung shall sign before a notary a notification letter to the commercial register in substantially the form as attached hereto in German as Annex 4.2 (a) applying for registration of the changes of the partners of GHW Gebäudemanagement;

and

- (iii) Lear Verwaltung, GHW Verwaltung and GHW Gebäudemanagement shall sign before a notary a notification letter to the commercial register in substantially the form as attached hereto in German as Annex 4.2 (b) applying for registration of the change of the general partner of the future [GHW Grote & Hartmann GmbH & Co. KG],

and submit such notification letters to the commercial register immediately. All of the Parties are obligated to provide all cooperation as any other Party requests to bring about the registrations applied for in these notification letters as soon as possible.

SECTION 5
SELLERS' WARRANTIES

The Sellers hereby furnish the Purchaser with warranties, which take the form of an independent guarantee (selbstständiges Garantieverprechen) and in part are based on both subjective and objective observations. Unless another point in time is specifically indicated below, the warranties are based on the facts as they exist on this day (i.e., the date on which the Parties sign this Agreement in front of the notary ("THIS DAY")). The warranties made in Section 5.1 and Section 5.5 and Section 5.6 and, for the avoidance of doubt, the warranties specifically given as to This Day and/or the Closing Date below, however, relate to This Day and the Closing Date.

5.1 Ownership relations:

5.1.1 GHW Gebäudemanagement owns the share in the Company and Company owns the shares, either directly or indirectly, in the Associated Companies. GHW Gebäudemanagement may freely sell or otherwise dispose of the share in the Company. This share and, except as provided for in Annex 5.1.1 (a) (Security Pool Agreement) and Annex 5.1.1 (b), the shares representing the ownership of the Associated Companies are free and clear of any third party rights and are specifically not subject to any rights of first refusal or purchase options.

5.1.2 The statements made in the Preamble, Nos. 1 and 2, and in Section 1.1 through Section 1.5 are true and correct.

5.1.3 The Company's nominal capital has been fully paid in and has not been repaid to the shareholders. The net worth of the Company on the date of its reorganisation as a German limited liability company was not less than EUR 32,000,000.

5.1.4 The Company's articles of association, in the version indicated in the last sentence of Section 1.2 have not been amended, and no resolutions to amend the Articles have been adopted.

5.1.5 The Company is not subject to any control agreement, profit transfer agreement or other intra-group agreement, all within the meaning of Sections 291 et seq. of the German Stock Corporation Act ("AKTG"). The Company has no silent participations, participating loans or, to the Sellers' best knowledge, similar obligations, unless otherwise specified in Annex 5.1.5.

5.1.6 Except for the transactions contemplated in this Agreement or otherwise disclosed in this Agreement including its Annexes, neither the share of GHW Gebäudemanagement in the Company nor the shares held by the Company and by GHW Engineering GmbH in the Associated Companies will be sold or transferred prior to the Closing Date nor will obligations relating thereto be incurred. If the shares in GHW Brazil Ltda. are transferred as a result of the call option addressed in Annex 5.1.1 (b) being exercised, this shall not lead to a violation of this Section 5.1.6. If the shares in Klingel Italiana s.r.l. are transferred as a result of the preemptive right addressed in Annex 5.1.1 (b) being exercised, this shall not lead to a violation of this Section 5.1.6.

5.2 Financial condition:

5.2.1 When provided, the Company's and the Associated Companies' audited annual financial statements and, if the law applicable to an Associated Company does not require such Associated Company to have the annual financial statements audited, the non-audited annual financial statements, as per 31 December 2003 - subject to the commentary in the auditor's report - have been prepared in accordance with the generally accepted principles of accounting as applicable to the respective annual financial statements (valuation rules consistently applied) and to the Sellers' best knowledge, these financial statements - subject to the statements in this section 5.2.1 - present a true and fair reflection of the Company's and the Associated Companies' net assets, financial position and results of operation as at 31 December 2003.

For the purposes of this Section 5.2.1 and of the following Section 5.2.2, the term Associated Companies shall not include GHW Brazil Ltda and Klingel Italiana s.r.l.

5.2.2 The fixed and current assets reported (i) as owned by the Company and the Associated Companies or (ii) as to which the Company and the Associated Companies have rights, in the Company's and the Associated Companies' annual financial statements per 31 December 2003 were owned by the Company and the Associated Companies on that date or the respective rights existed on the same date and there have been no dispositions in the fixed assets

between that date and the Closing Date except as disclosed in Annex 5.2.2 (a) and in Annex 5.3.4 under b), whereby only dispositions of assets exceeding EUR 25,000 (purchase price if arms' length transaction or actual value (Teilwert)) regarding a single asset and dispositions of assets exceeding EUR 150,000 (purchase price if arms' length transaction or actual value (Teilwert)) in the aggregate are relevant (it being understood that a disposition of a single asset already disclosed in such Annexes shall not be taken into account in the determination of dispositions of assets in the aggregate), and to the Sellers' best knowledge, were not encumbered by any third party rights, except for (i) the security interests customarily used in the ordinary course of business to secure the claims of banks, suppliers and other creditors and (ii) the collateral listed in Annex 5.2.2 (b) and inuring to the benefit of the financial institutions listed therein, and to the Sellers' best knowledge, include any and all assets as of 31 December 2003 that are recorded on the balance sheet of the Company and the Associated Companies, as the case may be, and that are necessary to operate the business of the Company and the Associated Companies as at the Closing Date. "Fixed assets" shall, for the purpose of this Section 5.2.2, mean such assets which are needed for the manufacturing of products for sale or lease to customers.

- 5.2.3 The statements including the respective best knowledge qualifications made under Section 5.2.1 and Section 5.2.2 also apply to the Company's consolidated financial statements per 31 December 2003.
- 5.2.4 To the Sellers' best knowledge, Annex 5.2.4 represents a true and complete listing of all bank accounts held by the Company and the Associated Companies and of the relevant authorised signatories.
- 5.2.5 All debt to be discharged by the Purchaser owed to the Pool Banks and secured by Security Pool Agreement shall not exceed the amount of EUR 68,332,000 as of February 29, 2004 and shall not exceed the amount of EUR 70,332,000 at the Closing Date, it being understood that the amount by which the debt owed at the Closing Date exceeds the aforementioned maximum amount as per This Day shall only be caused by draw-downs in the ordinary course of business. As of This Day and the Closing Date, there is no other debt due to financial institutions (for the avoidance of doubt, not including sale and lease back arrangements and capital leases (Finanzierungsleasing)) other than due under Security Pool Agreement or under the agreements as listed in Annex 5.2.5 (a). The debt as described in Annex 5.2.5 (a) shall not exceed the amount of EUR 6,463,000 as of February 29, 2004 and the

amount of EUR 6,463,000 at the Closing Date, it being understood that the amount by which the debt owed at the Closing Date exceeds the aforementioned maximum amount as per This Day shall only be caused by draw-downs in the ordinary course of business. At the Closing Date, there are no encumbrances on the assets of the Company or the Associated Companies other than under the Security Pool Agreement or mentioned in Annex 5.2.2.(b). A list of banks as of This Day, a list of bank credit lines as of This Day and the amounts drawn down thereunder as at the day two days prior to This Day and statements of account as at the day two days prior to This Day are attached as Annex 5.2.5(b).

It is understood that the above mentioned debts shall be amounts owing to banks minus cash as defined in Section 266 para. 2 B IV German Commercial Code (HGB).

- 5.2.6 Except as in accordance with the contracts listed in Annex 5.3.1, Company has made no distributions to GHW Gebäudemanagement and to the holders of its partnership interests (Komplementar and Kommanditisten) in cash or in kind or undertaken to do so, whether disclosed or undisclosed, since 31 December 2003 and will not make such distributions prior to the Closing Date.
- 5.2.7 Except as listed in Annex 5.2.7, none of the receivables of the Company and the Associated Companies are subject to factoring agreements with third parties.
- 5.2.8 The Company's and the Associated Companies' monthly management accounts as attached in Annex 5.2.8 have been prepared in accordance with the company accounting guidelines for such monthly management accounts, consistently applied, and, to the Seller's best knowledge, these monthly management accounts present a fair reflection, taking into consideration the scope of monthly management accounts, of the Company's and the Associated Companies' financial position and results of operation as at the respective day.

5.3 Contracts:

- 5.3.1 Except for the contracts listed in Annex 5.3.1, the Company is, as of This Day and through and as of the Closing Date, not bound by any contracts with the Sellers or with any of the Sellers' closely-related persons within the meaning of Section 15 of the German Tax Code ("AO"), apart from the Associated Companies.
- 5.3.2 Except for the equity joint venture and written cooperation agreements listed in Annex 5.3.2 (a), no written cooperation agreements on development, research, manufacture and distribution, and, without such limitation, no equity joint venture agreements exist with third parties, nor will the Company or an Associated Company enter into any such agreement prior to the Closing Date without giving prior written notice to Purchaser. Except as listed in Annex 5.3.2(b), there are, to the Sellers' best knowledge, no oral cooperation agreements with substantial importance to either the Company or one of the Associated Companies. To the Sellers' best knowledge, except for the contracts listed in Annex 5.3.2(c), the Company and the Associated Companies, as the case may be, are not party to any agreements, pursuant to which the contract may be terminated because of a contractual clause explicitly providing for a right to terminate such contract on the basis of a change in control of the Company or the Associated Companies.
- 5.3.3 To the Sellers' best knowledge, the Company and/or the Associated Companies have in effect the insurance policies, which are listed in Annex 5.3.3.
- 5.3.4 To the Sellers' best knowledge, Annex 5.3.4 contains a true and complete listing of all contracts, which have been concluded between GHW Gebaudemanagement, the Company or an Associated Company (for the purpose of this Clause 5.3.4 Associated Companies shall not include GHW Brazil Ltda. and Klingel Italiana s.r.l.) and a third party and which (i) have not yet been fully performed by at least one of the contracting parties, (ii) relate to a subject matter set forth below and/or are executed with one of the third parties set forth below, and (iii) are deemed significant to the business operations of GHW Gebaudemanagement, the Company and/or its Associated Companies (i.e., the value of the contractual subject matter exceeds at least EUR 250,000 or, in the case of term contracts or framework agreements, the actual or estimated value exceeds EUR 100,000 annually, whereby if there is any uncertainty as to the basis for such estimate, the values existing in 2003 should dictate):

- a) Contracts or obligations concerning the purchase, sale, encumbrance or other disposal of real property or interests in real property.
- b) Contracts concerning the purchase or sale of fixed assets, including any intangible assets, tangible assets (with the exception of those defined in a)) and financial assets.
- c) Any leases or leasing contracts with a lessor or lessee, etc.
- d) Licence agreements with a licensor or licensee, except those licenses relating to software as listed in Annex 5.3.4 d).
- e) Loan agreements with lenders or borrowers, except for customary credit agreements entered into in the ordinary course of business and except for the agreements listed in Annex 5.2.5 (a) and Annex 5.1.1 (a).
- f) Employment agreements.
- g) Sales agency, distributorships or similar distribution agreements.
- h) Capital leases (Finanzierungsleasing).
- i) All customer relationships with BMW and VW.
- j) Contracts containing non-compete covenants (it shall not be considered a violation of this Section 5.3.4 j), if non-compete covenants are not contained in Annex 5.3.4 under j), but notified to the Purchaser until the Completion Date and the Purchaser, upon demand of the Sellers, confirm in writing the receipt of such notification).

5.3.5 The contracts regarding the sale of the Galvanic assets shall only be executed after consultation with the Purchaser.

5.4 Other relationships:

5.4.1 To the Sellers' best knowledge, the Company or the Associated Companies are the lawful holders of the patents, patent registrations, trademarks or trademark registrations as well as other industrial property rights, which are

summarised in Annex 5.4.1, and, to the Seller's best knowledge, the Company and the Associated Companies have not violated any patent, patent registration, trademark or trademark registration as well as other industrial property rights, including know how, of third parties.

- 5.4.2 The public subsidies or grants (öffentliche Zulagen oder Zuschüsse) exceeding EUR 100,000, which the Company has obtained since 1 January 1999 for the procurement or manufacture of capital goods, are limited to those summarised in Annex 5.4.2.
- 5.4.3 Neither the Company nor an Associated Company is a claimant or claimee in any pending judicial or arbitration proceedings, where the amount in controversy exceeds EUR 100,000, nor is any such proceeding explicitly threatened in writing, unless otherwise specified in Annex 5.4.3, and the accumulated amount of all amounts in controversy, irrespective of whether or not the aforementioned threshold of EUR 100,000 is exceeded, does not exceed EUR 500,000.
- 5.4.4 The real property owned on This Day by the Company or the Associated Companies is on the Closing Date free and clear of a contamination, as defined in Section 2 (3) of the Federal Soil Contamination Act ("BBODSCHG") and/or other applicable German federal and/or state or local soil and water laws and regulations, for which the Company or the Associated Companies, even though the manner of use of such property (for instance, industrial usage) has not been altered, could be held liable for remediation under the legislation that governs environmental contamination and is applicable and in effect on This Day ("PRE-EXISTING CONTAMINATION").
- 5.4.5 To the Sellers' best knowledge, the Company and the Associated Companies have, from 31 December 2003 to This Day, conducted their business operations in the same customary manner as before, subject to the exceptions listed in Annex 5.4.5.
- 5.4.6 From This Day until the Closing Date, the Company and the Associated Companies will continue to manage their business affairs in accordance with prior practice and in accordance with the care exercised by an ordinary merchant, specifically no assets will be purchased, sold or encumbered outside the ordinary course of business, except for the transactions listed in Annex 5.4.6 (a) and Annex 5.2.2 (a) and Annex 5.3.4 under b). GHW Gebäudemanagement, the Company and the Associated Companies will not enter into any sale and

lease back transactions, nor enter into any capital lease transaction, nor incur any capital expenditure in excess of Euro 10,000 prior to the Closing Date.

Annex 5.4.6 (b) contains all items of capital expenditure (Investitionen) and commitments to capital expenditure for the period from April through the end of July 2004 for the Company and the Associated Companies. The Company and the Associated Companies will not spend any amounts exceeding the aggregate amount of capital expenditures mentioned in Annex 5.4.6 (b) during this period. After the expiration of the aforementioned period, any further capital expenditure shall only be incurred after discussion with the Purchaser.

5.4.7 The Company, including the Company prior to its reorganisation as a German limited liability company, and the Associated Companies have filed all necessary Tax returns in a timely, complete and correct manner and have paid all Taxes assessed by the competent authorities in the past when due or, if not due on the respective cut-off dates, have been duly entered in the reserve of the financial statements. If hidden profit distributions have been made prior the sale and transfer of the Interests, Seller shall bear all Taxes resulting therefrom. All social security contributions due and payable with respect to the period until the Closing Date have been paid. "Taxes" shall mean any direct and/or indirect levies by the governmental authorities and/or any direct or indirect fiscal and/or financial public burdens (i.e., Zolle, Steuern, Abgaben, Gebuhren) on the Company's, respectively, the Associated Companies' business, transactions, assets and respective income.

5.4.8 To the best knowledge of the Sellers the business operations of, and all products manufactured by, the Company and the Associated Companies conform to applicable legal requirements and quality standards (ISO TS 19949 or VDA 6.1. or QS 9000 or ISO 9001 plus the respective quality standards of OEMs, internal quality standards of the Company and the Associated Companies and approved prototypes (Muster)) which at the Closing Date were in force in their respective jurisdictions and which must be observed pursuant to administrative regulations and applicable laws, including such legal requirement and quality standards in other countries in which the Company and the Associated Companies manufacture and sell their products. Seller is not aware of any product recalls pending or decisions by competent public authorities (Behorden) in respect of such a recall. On This Day, except as listed in Annex 5.4.8, no product liability claim has been asserted which could result in a payment obligation of the Company or the Associated Companies over and above EUR 100,000 in the current business year and/or the following three business

years and neither the Company nor the Associated Companies have been notified as per This Day, of any specific concerns which could reasonably lead to the assertion of such claims. Regarding the potential MAN/Porsche product liability issues addressed in more detail in Annex 5.4.8, any amount of damages arising in connection with these issues exceeding the amount of EUR 750,000 reserved therefor in the annual financial statements ending December 31, 2003 has full insurance coverage.

- 5.4.9 The list of the real property owned or leased by the Company and the Associated Companies set forth in Annex 5.4.9 is complete and correct. Neither the Company nor the Associated Companies own, directly or indirectly, additional real property which is not listed in the aforesaid Annex 5.4.9.
- 5.4.10 Except as listed in Annex 5.4.10 a) or otherwise disclosed in this Agreement and its Annexes, between December 31, 2003 and This Day, the Sellers have not received factual information of customer- or supplier-related circumstances which could materially adversely affect the business of the Company or the Associated Companies; this applies, in particular, but without limitation, to the termination of a material relationship with a customer or supplier as listed in Annex 5.4.10 b) and to claims for damages. The Sellers have no knowledge of an event that has a material adverse affect on the business of the Company.

From This Day until the Closing Date, the Company and the Associated Companies will inform the Purchaser in writing without undue delay regarding any customer-related facts and circumstances which are "materially adverse", whereby, only for purposes of this obligation to inform, "material adverse" shall also comprise material adverse events the influence of which on the sales revenues can not be computed. In the event of doubt, the Company and the Associated Companies shall not act without having provided prior information to Purchaser regarding an existing or threatened "material adverse" event as defined herein.

For the avoidance of doubt, it is understood that (i) a loss of the sales revenues net of tax and customs of the Company or Associated Companies not exceeding EUR 3,000,000 net of tax and customs, or (ii) an event in the public knowledge, or (iii) an event in the ordinary course of business shall not be deemed to be "materially adverse" within the meaning of this clause 5.4.10.

- 5.4.11 The attached list of employees of the Company and Associated Companies in Annex 5.4.11 lists all service, employment and labor relationships (Dienst-,

Angestellten- und Arbeitsverträgen) and shows, respectively, name of employee, amount of monthly fixed salary, bonus, date of commencement of the employment and job title and is complete, true and correct.

The accruals for pension commitments of the Company and of the Associated Companies in their annual financial statements for the fiscal year ending December 31, 2003 have been consistently provided for in the same manner as in the financial statements for the fiscal years prior to December 31, 2003 and, regarding the Company and GHW Engineering GmbH, in accordance with the valuation principles of Dr. Klaus Heubeck.

5.4.12 No member of the Company's or the Associated Companies' management (managing directors (Geschäftsführer) or their equivalent in foreign jurisdictions, as the case may be) has indicated that he/she intends to terminate their employment agreement on the grounds of a change of control brought about in connection with this Agreement.

5.5 Receivables pursuant to Section 1.6:

5.5.1 GHW Gebäudemanagement may freely sell or otherwise dispose of the Receivables. These Receivables exist, are not encumbered by third party rights and are specifically not subject to any rights of first refusal or purchase options.

5.5.2 The statements made in Section 1.6 are true and correct.

5.5.3 No repayments and payments of interest have been made on the Receivables since This Day.

5.5.4 The loan agreements comprising the Receivables exist in the versions appended hereto as Annex 1.6 and have not been modified.

5.6 GHW Gebäudemanagement:

The Sellers provide the Purchaser with the following warranties in respect of GHW Gebäudemanagement:

- 5.6.1 GHW Gebäudemanagement is a German limited partnership (Kommanditgesellschaft) duly organized, registered and validly existing under the laws of the Federal Republic of Germany and, except as disclosed in Annex 5.1.1 a), has the full power and authority to own, lease and operate its assets and properties, to own and hold the share in the Company, to execute and to perform its obligations under this Agreement, to perform the other transactions contemplated herein, and to carry out its business as currently conducted and as set forth in the effective GHW Gebäudemanagement's partnership agreement. GHW Gebäudemanagement is, on the Closing Date, financially solvent, is neither over-indebted nor unable to pay its accounts payable. GHW Gebäudemanagement acts through its general partner, GHW Verwaltungs GmbH, the latter acts through its sole managing director (Geschäftsführer), which is, at This Day, Franz Margraf with sole power of representation. Franz Margraf is exempted from the restrictions of Section 181 of the German Civil Code ("BGB").
- 5.6.2 GHW Verwaltungs GmbH is a German limited liability company (Gesellschaft mit beschränkter Haftung) organized, registered and validly existing under the laws of the Federal Republic of Germany. It has the authority to assume the position and assumes the position as general partner in GHW Gebäudemanagement.
- 5.6.3 Sellers may freely sell or otherwise dispose of their interests in GHW Gebäudemanagement and their interests are free and clear of all liens, charges, encumbrances and of any third party rights or rights in favour of the Sellers and are specifically not subject to any rights of first refusal, pre-emptive rights or purchase or call options.
- 5.6.4 Sellers' limited partner interests (Pflichteinlagen) in GHW Gebäudemanagement are fully paid-in, all capital contributions in kind regarding their limited partner interests in GHW Gebäudemanagement have been made and have the full value at which they were transferred and accepted; their interests have not been repaid or decreased as a result of losses and no hidden repayments were made nor do obligations exist to effect repayments. The contributions have not been withdrawn. GHW Verwaltungs GmbH does not hold a capital interest in GHW Gebäudemanagement. No further partners exist. In addition to the Partnership Agreement of GHW Gebäudemanagement, there are no side agreements relating to the constitution and organization of GHW Gebäudemanagement.

- 5.6.5 With respect to GHW Gebaudemanagement, there are no rights of the Sellers or third parties to subscribe to or otherwise acquire new interests or to convert any other rights into interests or to require the issue of new interests or to grant any of the aforesaid rights. The Sellers have, except from the powers of attorney attached to this notarial deed as Annex Set N, to be used for declarations in connection with the transactions contemplated in this Agreement, not granted any third party the right to exercise Sellers' voting rights in partnership meetings of GHW Gebaudemanagement, whether by way of powers of attorney or otherwise.
- 5.6.6 GHW Gebaudemanagement is not subject to any control agreement, profit transfer agreement or other intra-group agreement, all within the meaning of Sections 291 et seq. of the German Stock Corporation Act ("AktG"). GHW Gebaudemanagement has no silent participations, participating loans or, to the best of Sellers' knowledge, similar obligations.
- 5.6.7 GHW Gebaudemanagement's partnership agreement, in the currently governing version attached hereto as Annex 5.6.7, has not been amended, and no resolutions to amend the partnership agreement have been adopted, except for the resolution adopted in the partners' meeting of today, contained in Annex Set 17.2.
- 5.6.8 GHW Gebaudemanagement does not directly or indirectly own or hold any share or interest in any company other than the Company or the Associated Companies.
- 5.6.9 GHW Gebaudemanagements' annual financial statements as per 31 December 2003, the draft of which is attached hereto as Annex 5.6.9, have been prepared in accordance with generally accepted principles of accounting (valuation rules consistently applied) and these financial statements present a true, correct, complete and fair reflection in all material respects, in particular, but not limited to, of GHW Gebaudemanagement's net assets, liabilities, financial position and results of operation as at 31 December 2003.

Any incorrectness of the annual financial statements addressed in Section 5.2.1 which does not lead to a warranty claim of the Purchaser under Section 5.2.1 shall also not lead to a warranty claim under this Section 5.6.9 regarding the value of the interest in the Company as stated in GHW Gebaudemanagement's annual financial statements.

- 5.6.10 The fixed, intangible and current assets reported in GHW Gebaudemanagements' annual financial statements per 31 December 2003 were owned by GHW Gebaudemanagement on that date and there have been no dispositions or encumbrances in favour of third parties with regard to these assets. GHW Gebaudemanagements' annual financial statements per 31 December 2003 include any and all assets as of 31 December 2003 that are recorded on the balance sheet of GHW Gebaudemanagement and that are necessary to operate the business of GHW Gebaudemanagement as at the Closing Date. As of the Closing Date, the net assets of GHW Gebaudemanagement will amount to at least the amount specified in the financial statements per December 31, 2003.
- 5.6.11 All of the receivables of GHW Gebaudemanagement reported in GHW Gebaudemanagements' annual financial statements per 31 December 2003 were owned by GHW Gebaudemanagement on that date and there have been no dispositions and no encumbrances in favour of third parties. None of the receivables of the GHW Gebaudemanagement are subject to factoring agreements.
- 5.6.12 Annex 5.6.12 represents a true and complete listing of all bank accounts held by GHW Gebaudemanagement and of the relevant authorised signatories. The list includes, broken down by account number, purpose, currency, maturity dates, current debit and amounts not yet drawn down.
- 5.6.13 Sellers have not received payments or withdrawn funds from GHW Gebaudemanagement in cash or in kind since 31 December 2003, except as disclosed in Annex 5.6.13. GHW Gebaudemanagement has made no distributions in cash or in kind or undertaken to do so or resolved a capital contribution, whether disclosed or undisclosed, since December 31, 2003.
- 5.6.14 Except for the Receivables, GHW Gebaudemanagement has not taken out any loans and is, except for the Security Pool Agreement contained in Annex 5.1.1 a), not party to any other financing, borrowing or lease arrangement and has not undertaken any form of off-balance sheet financing such as, but not limited to sale-and-lease-back agreements, or financial leases. GHW Gebaudemanagement has undertaken no obligation which prohibits it from pledging or assigning any of its assets or to otherwise use them as collateral.
- 5.6.15 Except as for the obligations of GHW Gebaudemanagement as provided for in the Security Pool Agreement contained in Annex 5.1.1 a), there are no

guaranties, warranties or securities of any kind (including comfort letters) granted by GHW Gebaudemanagement in favor of third parties, the Sellers, the Company, the Associated Companies or any of its shareholders, partners, managers or employees or any member of the families of the Sellers.

- 5.6.16 There are no liabilities or debt of GHW Gebaudemanagement of any kind whatsoever, whether accrued, contingent, absolute, determined, determinable or otherwise, and there is no existing condition, situation or set of circumstances which could reasonably be expected to result in such a liability or debt, other than: (i) liabilities/debt fully reflected or provided for in the financial statements per 31 December 2003; (ii) current liabilities incurred in the ordinary course of business consistent with past practice since December 31, 2003 which are comprehensively listed in Annex 5.6.16 and which, in the aggregate, do not materially affect the valuation of the business; and (iii) liabilities under contracts and bids entered into or made in the ordinary course of business consistent with past practice.
- 5.6.17 Except as attached as Annex 5.6.17, there are no contractual relationships or agreements or arrangements whether written or oral of whatever kind and content exceeding an annual value of EUR 15,000. The contractual relationships or agreements or arrangements attached as Annex 5.6.17 are agreed between GHW Gebaudemanagement and the Company or the Associated Companies only. These are entered into at arm's length and are attributable to GHW Gebaudemanagements' ordinary business only. GHW Gebaudemanagement, with the exception of its partnership agreement, is not bound by any contracts with the Sellers or with any of the Sellers' closely-related persons as defined in clause 5.3.1. Except for the Receivables, there are no claims of GHW Gebaudemanagement against the Sellers, Company, Associated Companies or any of its shareholders, partners, managers or employees or any member of the families of the Sellers and no claims of the Sellers, Company, Associated Companies or any of its shareholders, partners, managers or employees or any member of the families of the Sellers against GHW Gebaudemanagement.
- 5.6.18 GHW Gebaudemanagement does not manufacture, purchase, sell, distribute or trade products - for the avoidance of doubt, "products" shall not include the provision of services to the Company or the Associated Companies pursuant to the contracts listed in Annex 5.6.17 - of whatever kind and nature.

- 5.6.19 GHW Gebäudemanagement has filed all necessary tax returns in a timely, complete and correct manner and has paid all Taxes assessed by the competent authorities in the past when due or, if not due on the respective cut-off dates, have been duly entered in the reserve of the financial statements. If hidden profit distributions have been made prior to the sale and transfer of the interests in GHW Gebäudemanagement, the Sellers shall bear all Taxes resulting therefrom. All social security contributions due and payable with respect to the period until the Closing Date have been paid. "TAXES" shall mean any direct and/or indirect levies by the governmental authorities and/or any direct or indirect fiscal and/or financial public burdens (i.e., Zolle, Steuern, Abgaben, Gebühren) on GHW Gebäudemanagement's business, transactions, assets and respective income.
- 5.6.20 GHW Gebäudemanagement has not entered into any lease contracts regarding real property.
- 5.6.21 GHW Gebäudemanagement does not own real property. The real property leased or used by GHW Gebäudemanagement is on the Closing Date free and clear of a contamination, as defined in Section 2 (3) of the Federal Soil Contamination Act ("BBodSchg") and/or other applicable German federal and/or state or local soil and water laws and regulations, for which the Company or the Associated Companies, even though the manner of use of such property (for instance, industrial usage) has not been altered, could be held liable for remediation under the legislation that governs environmental contamination and is applicable and in effect on This Day ("PRE-EXISTING CONTAMINATION"). The same applies for all real property owned or leased or used previous to the Closing Day by GHW Gebäudemanagement, even if they were not owned or leased or used on This Day or Closing Date.
- 5.6.22 Except as listed in Annex 5.6.22, GHW Gebäudemanagement has not entered into any service, employment and labor contracts (Dienst-, Angestellten- und Arbeitsverträge). There are no pension commitments or obligations other than those for which reserves are booked in the annual financial statements as per December 31, 2003 and these reserves adequately reflect those pension commitments. There are no obligations or commitments regarding direct insurance.
- 5.6.23 There are no works councils. There are no applicable collective bargaining agreements (Tarifverträge), shop agreements (Betriebsvereinbarungen) and social plans.

- 5.6.24 All social security contributions, if any, legally required to be paid by GHW Gebäudemanagement have been paid and will be paid in the future. To the extent that there are any outstanding social security contributions, sufficient accruals have been set up in the financial statements.
- 5.6.25 All of the members of the supervisory board or similar boards of GHW Gebäudemanagement will resign from their office as of the Closing Date. Except for current year supervisory board fees and expenses pro rata temporis as per the Closing Date, they have no claims against GHW Gebäudemanagement, the Company or any Associated Companies.
- 5.6.26 GHW Gebäudemanagement does not own any intellectual property rights (e.g. patents, patent applications, utility model registrations, trademarks, trademark registrations, service marks, business or trade names, brand names, logos, registered designs, design rights, copyrights, recipes and formulas, rights in domains, domain names, rights in know-how, trade secret or invention) as well as other industrial property rights, all of the foregoing hereinafter also referred to as "IPR".
- 5.6.27 There are no outstanding claims by third parties against GHW Gebäudemanagement relating to the infringement of any IPR and no such claims are threatened or pending and there are, to the best of Sellers' knowledge, no known circumstances possibly leading to such claims.
- 5.6.28 No material IPR of a third party, apart from standard office software, are used by GHW Gebäudemanagement and GHW Gebäudemanagement is not dependent on any other IPR of a third party.
- 5.6.29 There are no insurance contracts, and there are no insurable risks.
- 5.6.30 GHW Gebäudemanagement is neither a claimant nor claimee in any pending judicial or arbitration proceedings exceeding an amount in dispute of EUR 50,000 and there are; to the best knowledge of the Sellers, no threatened legal disputes exceeding the same threshold. According to the Sellers' best knowledge, there are currently no administrative investigations or procedures against GHW Gebäudemanagement in connection with the operations of the business Section There are, to the best of Sellers' knowledge, no facts or circumstances which could give rise to any such actions, suits, proceedings or investigations. This is, in particular, true with respect to proceedings in trade, tax,

product liability, product warranty, environmental liability, or unfair trade practices or real estate matters.

- 5.6.31 There are no public subsidies or grants (öffentliche Zulagen oder Zuschüsse) which GHW Gebäudemanagement has obtained.
- 5.6.32 All administrative approvals, permits, licenses and registrations which are necessary for GHW Gebäudemanagement to operate and continue its respective business are without exception existing and valid.
- 5.6.33 GHW Gebäudemanagement has at all times prior to the Closing Date without exception been in compliance with all administrative security regulations applicable to it in connection with the operation of its businesses, including requirements imposed by trade authorities, construction authorities, technical supervisors. No additional requirements are to be expected in the future under the presently existing laws. Any commissioners required by law have been duly appointed.

SECTION 6
LEGAL CONSEQUENCES OF A BREACH OF WARRANTY

- 6.1 If and to the extent that any warranties provided in Section 5 are breached, then, within two months following receipt of a Purchaser's relevant performance demand, which must be sent via certified mail (return receipt requested), the Sellers shall in their discretion either perform the warranty or pay compensatory damages such that the Purchaser or GHW Gebäudemanagement or the Company or the Associated Company is placed in the position it would have been in, had the warranty not been breached. If the Sellers fail to perform the warranty within the meaning of the aforementioned sentence within the two months period indicated or if the Sellers notify the Purchaser by registered letter (return receipt requested) that the Sellers see no possibility to perform the warranty or that the Sellers refuse the claim (such letter, in this Agreement, being referred to as the "REFUSAL LETTER"), then it will be required to pay compensatory damages suffered by either of the Purchaser, GHW Gebäudemanagement, the Company or the Associated Companies after the expiration of this period or upon receipt of such notification.

For the avoidance of doubt, the aforementioned two months period shall not prevent the Purchaser, GHW Gebäudemanagement or the Company or one of the Associated Companies from taking immediate action even before the aforementioned two months

period has lapsed, if without such action the interest of the Purchaser, GHW Gebäudemanagement, the Company or the Associated Companies would be impaired. The Purchaser, GHW Gebäudemanagement, the Company or the Associated Companies are obligated to inform the Seller immediately of such action, if possible, prior to such action.

6.2 The Purchaser will be entitled to enforce its breach of warranty claims, only if and to the extent that

a) the value of any single given claim or series of claims relating to a specific product (Teile) exceeds a minimum amount of EUR 100,000.

and

b) the value of all claims, which are included under sub-paragraph a), exceeds an allowance (Freibetrag) of EUR 1,000,000; i.e. the Purchaser's claim will be limited only to the amount exceeding this allowance amount.

c) The provisions of this Section 6.2 a) and b) shall not be applicable to a warranty claim of the Purchaser under Section 5.4.7 or Section 5.6.19 relating to possible real estate transfer tax to be paid in connection with the reorganization of the Company described in Section 1.2, such reorganization having been preceded by a transfer of Sellers' former limited partners' interests in the Company prior to the reorganization described in Section 1.2 to GHW Gebäudemanagement, i.e. the full amount of the damages to which such warranty claim relates shall be paid and not be subject to the above limitations in Section 6.2 a) and b).

6.3 The Sellers' quantitative liability shall be limited as follows:

a) in the case of a breach of the warranties provided in Section 5.1.1 and Section 5.1.2, to an amount equal to the Purchase Price paid;

b) in the case of a breach of the warranties provided in Section 5.5.1 and Section 5.5.2, to the amount referred to in Section 1.6;

c) in the case of a breach of the warranties provided in Section 5.4.4 and Section 5.6.21, to an amount equalling EUR 7,500,000 and up to that amount,

(i) 80% of the damages, which the Purchaser enforces during the period ending twelve months following the Closing Date;

(ii) 45% of the damages, which the Purchaser enforces within the period from the expiration of twelve months until the expiration of twenty-four months following the Closing Date;

(iii) 25% of the damages, which the Purchaser enforces within the period from the expiration of twenty-four months until the expiration of thirty-six months following the Closing Date;

d) in the case of one or more other breaches of warranty, to an amount totalling 28% of the Purchase Price paid;

e) however, in no event shall the liability of the Sellers under this Agreement exceed the total Purchase Price.

6.4 The Sellers may not be held liable twice (mehrfach) under this Agreement for any claims, which are based on the same set of facts and circumstances but enforced under another legal theory. This is to say, forms of double jeopardy are hereby excluded. In calculating the Purchaser's claims, the principal of offsetting gains (Vorteilsaus-gleich) must be applied, specifically any equity capital items or other items reducing or increasing the damages must be offset in a fair and reasonable manner; this also applies in connection with any tax detriment suffered by the Purchaser or the Company, which merely results in a postponement of the basis for taxation.

6.5 The Purchaser is not entitled to enforce any claims under the Agreement, if and to the extent that either an accrual was created in the annual audited financial statements per 31 December 2003 of GHW Gebäudemanagement, the Company or at an Associated Company to take into account such an event or if a third party (specifically an insurance carrier) succeeds in performing the warranty, paying compensatory damages or otherwise compensating the Purchaser, GHW Gebäudemanagement, the Company or another Associated Company in any given case. Section 8.5 shall continue to apply.

6.6 Section 254 of the German Civil Code ("BGB") shall be applicable to warranty claim of the Purchaser, i.e. the Purchaser shall have no claim for damages to the extent such damages were caused or increased by the Purchaser or to the extent the Purchaser has failed to mitigate, although possible, such damages.

6.7 If and to the extent that the Sellers have provided a warranty to their best knowledge or in a similarly qualified manner, then such knowledge applies only to the facts, which were actually known, or should have been known had they applied the diligence a businessman in their position, line of business and country would have customarily

applied, by Franz Margraf, Markus Donni and the managing directors of the Associated Companies excluding the managing director of GHW Brazil Ltda and Klingel Italiana s.r.l. at the time this Agreement was notarised.

- 6.8 For the avoidance of doubt, the Parties agreed that there shall be no violation of any of the warranties in Section 5 resulting solely from the fact that the company has been converted as provided for under Section 13.1. b), i.e. the "violation" would not have occurred if the Company had not been converted.

SECTION 7
TIME LIMITATIONS

- 7.1 Any claims by the Purchaser based on a breach of the warranties provided in Section 5.1.1, Section 5.1.2, Section 5.5.1, Section 5.5.2, Section 5.6.1, Section 5.6.2, Section 5.6.3 and Section 5.6.5 will be time-barred four years following the Closing Date. Claims based on any other breaches of warranties will be time-barred six months from the date on which the Purchaser receives knowledge of the relevant warranty breach, but no later than two years from the Closing Date and no later than four years from the Closing Date in the event of a breach of the warranties stated in Section 5.4.4., provided, however, that the breach of the warranty provided in Section 5.4.7 shall be time-barred after a period of six months commencing with the date on which the relevant assessment of Taxes becomes final and unappealable.
- 7.2 The rules under the applicable statutes of limitations, as contained in the BGB, will determine when the time limitations set forth herein commence to run anew or are tolled, but such time limitations will not be tolled or suspended as a result of negotiations.
- 7.3 A warranty claim of the Purchaser shall not be time-barred if it has been asserted within the meaning of Section 6.1 sentence 1 (performance demand) before the above-mentioned limitation periods have lapsed, provided the Purchaser initiates court proceedings (Klageeinreichung) within three months following the date on which it has asserted the claim within the meaning of Section 6.1 sentence 1 (performance demand) or within one month after receipt of the Refusal Letter as defined in Section 6.1, as the case may be. If court proceedings have not been initiated within such periods, the respective warranty claim of the Purchaser shall be time-barred. In any event, no warranty claims of the Purchaser shall be time-barred before the limitation periods of Section 7.1 have lapsed.

SECTION 8
WAIVER OF CLAIMS

- 8.1 The Parties hereby recognise and acknowledge that they intend for the warranties relating to Sections 5, 6 and 7, this Section 8 and Section 17.3 to constitute an independent guarantee made by the Sellers within the meaning of Section 311 (1) BGB and that these warranties should in no way represent a guarantee as to qualities (Beschaffenheitsgarantie) or durability (Haltbarkeitgarantie) within the meaning of Sections 443, 444 BGB.
- 8.2 The Sellers do not provide any warranty, representation, guarantee or other promises in the broadest sense beyond those contained in this Agreement regarding the Interests and the Receivables, specifically not with respect to
- a) the legal, economic, financial, tax or other conditions of GHW Gebäudemanagement, the Company or the Associated Companies or any of their assets;
 - b) the continuation of any prior, current or future financial condition or earnings situation of GHW Gebäudemanagement, the Company or the Associated Companies, their revenues or other features, about which the Sellers or any of its authorised agents made statements either prior to or during the negotiations of this Agreement;
 - c) the ability to collect (Einbringlichkeit) the Receivables and the possible function of the loan pursuant to Section 1.6, as either a partial or complete substitute for equity.
- 8.3 The Purchaser shall have no claim under the warranty provided in Section 5.4.4 and 5.6.21, if and to the extent that one of the following facts exist with respect to the real property in question:
- a) Pre-Existing Contamination - within the meaning of the laws and regulations governing the real property in question - (i) was not identified as a result of a final and binding order issued by the competent regulatory authorities or a final court judgment and (ii) with respect to which, remediation is required, but not as a result of an immediately enforceable order issued by a regulatory authority or an enforceable court judgment;
 - b) there has been a change of use, which led to a rezoning of the relevant property following the Closing Date (e.g., industrial to commercial use or residential use). Excluded herefrom is the real property located at Wuppertal-Ronsdorf, provided,

however, that the change of use is not the result of a decision of the Purchaser but was initiated by the Company prior to the Closing Date;

- c) there has been a sale of the relevant real property or a change in ownership or a sale of individual divisions or the entire operating business of the Company or an Associated Company.

8.4 The statutory provisions regarding defects in the product or in legal title, including Section 442 para. 1 BGB, do not apply. Any other Purchaser claims not expressly stipulated in this Agreement, irrespective of the legal basis therefore, are hereby waived, whether the claims seek compensatory damages, price reduction, subsequent performance, rescission and restitution, action for avoidance or other such claims. This waiver of claims also include any claims based on torts or those under Sections 311 (2), 313 BGB. Any other limitations on liability or claim waivers in this Agreement will not be applicable to the extent that such liability is mandatory and cannot be waived under Sections 276 (3), 826, 123 BGB.

8.5 The Purchaser and the Sellers hereby enter into a true third party beneficiary contract (Section 328 BGB), pursuant to which the Purchaser agrees to waive any and all claims, which are based on a breach of duties and may be brought against (i) the Sellers, (ii) supervisory board members of GHW Gebäudemanagement and the Company, and (iii) managers of GHW Gebäudemanagement's general partner and of the Company. The Purchaser shall ensure that the Company and the Associated Companies excluding GHW Brazil Ltda and Klingel Italiana s.r.l. will not enforce any liability claim of the Company against the foregoing persons provided they are not based on wilful acts (Vorsatz), gross negligence (grobe Fahrlässigkeit) of the diligence of a prudent businessman or fraud.

SECTION 9
RIGHTS TO NAMES

- 9.1 The Purchaser hereby covenants, in the form of an independent guarantee (each made separately), to Ms Ruth Matzler, Kreuzberg Promenade 39, A5026 Salzburg and Mr Klaus Hartmann, Im Leimenacker 3, 64658 Furth-Steinbach, in the form of a true third party beneficiary contract under Section 328 BGB, that the Purchaser or the enterprises directly or indirectly affiliated with it will use and apply the corporate name or corporate name components GHW, GHW Grote & Hartmann, Grote & Hartmann as well as the name Grote and Hartmann such that this use does not injure the good reputation of Ms Matzler and/or Mr Hartmann. This covenant also applies to any marks or trademarks, which include any of these components. A use and application within the meaning of this subsection must be understood in its broadest sense, particularly in terms of each competitive act and any use of electronic media (e.g., internet domains).
- 9.2 Whether and to what extent a reputation has been injured as a result of such use will be determined according to the due discretion of the relevant protected party (i.e. Ms Matzler or Mr Hartmann (in each case individually)).
- 9.3 The use of the corporate names or the names or name components in connection with the business operations of (i) GHW Gebäudemanagement, the Company or its Associated Companies as of This Day and of (ii) the Purchaser and its affiliated companies on This Day will in no way be deemed injurious and will be permissible in any manner. Any use in the "automotive" industry is likewise permissible. Any actions taken by the Purchaser, which were decided in the ordinary course of management decision-making and which limit or restructure the business operations of GHW Gebäudemanagement, the Company and the Associated Companies, will likewise not be considered injurious.
- 9.4 If the independent guarantee provided under Section 9 is breached, then the injured party will have an injunctive claim. Ms Matzler and/or Mr Hartmann will each have their own injunction claim, if and to the extent that a breach of duty under the aforementioned provisions applies to them.

SECTION 10
SELLERS' PARTICIPATION IN
LIABILITY DISPUTES

- 10.1 The Purchaser must promptly notify the Sellers in writing, if it receives knowledge that the tax authorities are considering or indeed conducting a tax audit at GHW Gebaudemanagement, the Company or an Associated Company. The Sellers must be given an opportunity, at the earliest possible time, to participate in defending any claims brought by the tax authorities in all relevant tax proceedings including tax audits, administrative proceedings and judicial proceedings, to the extent such claims relate to a period of time prior to the Closing Date. If such a dispute exists or a tax audit is called, then the Purchaser must promptly inform the Sellers concerning the actual status of such a dispute or audit. The Purchaser must provide the Sellers with all documents and information, which could be relevant for the latter to protect their tax interests. In the event of a tax audit, the Sellers have the right to participate in the audit or to dispatch a representative, who is bound by professional duties of confidentiality, to participate in the audit or any final audit discussions.
- 10.2 In addition, the Sellers must be promptly provided with an opportunity, at any time and at their own cost, to participate in the dispute with a third party, to the extent these disputes affect the rights or interests of a third party with respect to GHW Gebaudemanagement, the Company or an Associated Company and to the extent that the results of any such disputes could influence the purchase price claim of the Sellers and/or other claims, which the Purchaser may have against the Sellers regarding to the Company. Section 10.1 applies mutatis mutandis. In connection with any environmental liability cases, the Purchaser must inform the Sellers in advance respecting any inspection or remediation programs and must cause GHW Gebaudemanagement, the Company or the relevant Associated Company to inform the Sellers. The Sellers must also be granted access to the real property in question.
- 10.3 For the purposes of an alleged violation of the warranty under Section 5.4.7 or Section 5.6.19 relating to the obligation to pay real estate transfer tax which may have arisen in the context of the reorganization addressed in Section 1, in addition to the duties under Section 10.1 and Section 10.2, the Purchaser shall procure, if possible, that the Sellers and/or their advisers are put in a position which allows them to participate in any audit, assessment, proceeding or litigation (authority to control and determine the conduct of the defence), as if they were a direct party to such audit, assessment, proceeding or litigation. Purchaser shall or shall procure that the Company or the taxable entity - upon request of the Sellers

and/or their advisers - appeal any decision, order, assessment or judgment (Rechtsmittel einlegen) and to conduct and control such proceedings. Purchaser and/or the Company or the taxable entity may only issue notices on declarations or other communication with the tax authorities or the courts upon written approval or Sellers advisers in respect of this matter. The Purchaser shall further procure that the Company or the taxable entity and the Purchaser provide adequate support to the Sellers and their advisers in order to allow them to defend their matter as efficiently as possible, in particular provide documents and information needed. Any reasonable external costs of the Purchaser and any costs of the Sellers incurred in connection with all of the foregoing shall be borne by the Sellers.

SECTION 11
DUTIES PRIOR TO CLOSING

- 11.1 To the extent permitted by merger control law, after This Day and until merger control clearance has been granted pursuant to Section 14.1, the Purchaser may demand that the Sellers cause GHW Gebaudemanagement, the Company's management to grant the representatives designated by the Purchaser access to all business premises, business documentation and information concerning all business affairs of GHW Gebaudemanagement, the Company and the Associated Companies and that such access be granted in a reasonable manner and within a reasonable period of time to enable the Purchaser to understand the business of the Company and the Associated Companies, provided however that such cooperation shall not have a significant adverse affect on the day to day business of the Company or the Associated Companies. The Purchaser acknowledges that it has been provided with certain sensitive information as contained in Annex 11.1. Following the issuance of merger control clearance pursuant to Section 14.1, Purchaser's request for the grant of access as set forth in sentence 1 of this Section 11.1 shall not be subject to merger control restraints.
- 11.2 The Parties shall provide each other with any and all information and documents and take all business and legal steps necessary to duly perform this Agreement. As of This Day, in particular, without limitation, each Party is obligated to provide such cooperation as any other Party reasonably requests, provided however that such cooperation shall not have a significant adverse affect on the day to day business of the Company or the Associated Companies, and to execute or procure the execution of all documents the execution of which is either needed to give full effect to the transactions contemplated herein or reasonably requested by any other Party. This shall serve to ensure, in particular, without limitation, to bring about, as soon as possible, the change of legal form

as addressed in Section 13.1 (b) and to take all steps described in Section 13.1 (b) (ii) through (v) immediately after the German antitrust clearance has been obtained. The Sellers shall provide after This Day such cooperation or procure the provision of such cooperation as the Purchaser reasonably may request, at the Purchaser's expense, to enable the Purchaser to prepare for the conduct of the Company's and the Associated Companies' businesses after the Closing Date. Such cooperation shall include (it is agreed that with respect to (ii) and (iii) of this paragraph such measures, or any other measures which the Purchaser requests may only be implemented, if in the reasonable opinion of Sellers' tax or accountants advisers, such measures will not violate German GAAP (HGB) or any applicable local accounting standards and they are only to be permitted if and to the extent that reasonable opinion of the Sellers tax or accountants advisers are not detrimental to the Sellers, to their tax and financial position arising from the sale of Interests contemplated hereunder. In the event of any changes agreed under this Section 11.2 (ii) and (iii) such changes shall not give rise to any warranty claim by the Purchaser), but not limited to, the following matters:

- (i) a review of the financial systems and financial control procedures of the Company and of the Associated Companies only to enable the Purchaser to determine what systems and procedures the Purchaser will be required to implement after the Closing Date so as to comply with Sarbanes Oxley requirements;
- (ii) to obtain prior to Closing (or allow the Purchaser to obtain for the Sellers) US Identification Numbers, if not already obtained, and, for each of the following respective Associated Companies, to execute US Form 8832 entity elections, on or before Closing, for GHW Engineering GmbH, GHW Polska Sp zoo, GHW France Sarl, Grote & Hartmann South Africa (Pty) Ltd., GHW Czech Republic sro, and Grote & Hartmann Iberica SL;
- (iii) to review the US Purchasing Accounting issues with the Purchaser and to make such adjustments to the accounts of the Company and the Associated Companies immediately prior to Closing as may be desirable for the Purchaser to effectively account under US Purchase Accounting Requirements for the acquisition of the Interests and the Associated Companies;
- (iv) to participate or procure that the appropriate persons participate, and provide all cooperation reasonably requested in connection therewith, in talks of the Purchaser with the pool banks under the Security Pool Agreement as contained in Annex 5.1.1 (a);

- (v) to grant the Purchaser access to all of the premises as listed in Annex 5.4.9 immediately after signing in order to conduct phase II environmental due diligence, the results of which the Purchaser will share with the Sellers and the costs of which will be borne by the Purchaser;
- (vi) to provide the Purchaser with information required to make the necessary filings with the competent anti-trust authorities within five calendar days from This Day.
- (vii) to provide the Purchaser two days prior to Closing with an updated list of the amounts drawn down under the Security Pool Agreement contained in Annex 5.1.1 (a) and under the agreements listed in Annex 5.2.5 (a).
- (viii) to provide access to sites, management, Sellers' insurance brokers and insurance files and policies in order for the Purchaser to assess the insurance risk.
- (ix) to provide the Purchaser prior to Completion with the financial statements as addressed in Section 5.2.1 and 5.6.9.

Advisers to the Purchaser, Sellers, Company and the Associated Companies shall cooperate with each other in good faith and as instructed to assist in the implementation of this Section 11. The Purchaser herewith indemnify Sellers as regard any reasonable Sellers advisers' costs in the context of this Section 11 (ii) and Section 11 (iii).

SECTION 12 NON-COMPETE COVENANT

- 12.1 The Sellers covenant for a period of two (2) years from the Closing Date to refrain from engaging in the product or geographic markets, on which the Company actually does business on This Day, in any activities, which would compete directly or indirectly with the Company or would have as its effect direct or indirect competition. The Sellers shall specifically not form, purchase, acquire an interest in or otherwise advise any enterprise, with which the Company competes either directly or indirectly. This non-compete covenant does not apply to the purchasing of shares equal to 10% or less of a publicly listed company.
- 12.2 If one or both of the Sellers breach the non-compete covenant stipulated in Section 12.1, then they shall each pay to the Purchaser a contractual penalty equal to EUR 150,000. If the breach continues, then the Sellers must pay an additional contractual penalty of EUR 200,000 for each additional month of the breach. The Purchaser reserves the right

to enforce any other additional damages resulting therefrom and to demand that such conduct cease and desist.

- 12.3 The Sellers shall not owe any additional special damages or compensation for the non-compete covenant.

SECTION 13
CONDITIONS PRECEDENT

- 13.1 This Agreement shall not be contractually consummated and the assignment of the Interests shall not become effective, unless and until the following conditions have been met:

- a) the planned combination connected with this Agreement has not been prohibited either by the German Federal Cartel Office pursuant to Section 36 of the Act against Restraints of Competition ("GWB") and by the competent antitrust regulators defined in Section 14.1 through Section 14.3;

and

- a2) the change of the articles of association of GHW Verwaltung as resolved upon by way of the notarized shareholders' resolution of April_4, 2004 (Roll of Deed No. 320/2004 of the officiating notary) has been registered in the commercial register and thereby become effective;

and

- b) the Company's change of legal form from a GmbH to a GmbH & Co. KG has been registered in the commercial register and the entries in the commercial register show that (i) GHW Verwaltung is the only general partner without any capital interest; and (ii) GHW Gebaudemanagement is the only limited partner with a capital interest (Haft- und Pflichteinlage) of EUR [30,457,600] or another amount; and (iii) the new name of the Company is [GHW Grote & Hartmann GmbH & Co. KG] or with another firm name;

the aforementioned change of legal form of the Company shall be brought about by GHW Gebaudemanagement and GHW Verwaltung and the Company as soon

as practically feasible after notarization of this Agreement, but, however, shall not be reported for registration before the condition precedent of Section 13.1 a) has been met, observing the following steps in close consultation with the Purchaser whose prior approval has to be sought before any of the following is finally executed, such approval not to be unreasonably withheld or delayed:

- (i) the draft resolution on the change of legal form (Umwandlungsbeschluss) to be adopted by GHW Gebäudemanagement and GHW Verwaltung (once the latter has been made a shareholder in the Company) shall be drawn up, in substantially the form as attached hereto in German as Annex 13.1 (b) (i), and submitted to the Company's works council as soon as feasible after notarization of this Agreement, at the latest, however, at the end of the tenth day following This Day;
- (ii) GHW Gebäudemanagement shall, after the condition precedent set forth in Section 13.1 a2) has occurred, assign and transfer, in a notarial deed, in substantially the form as attached hereto in German as Annex 13.1 (b) (ii), a portion of its share in the Company in the amount of EUR 600 to GHW Verwaltung who shall hold it in trust for GHW Gebäudemanagement and reassign and retransfer it to GHW Gebäudemanagement as per the registration of the change of legal form of the Company in the commercial register (the notification of the acquisition of the share in the amount of EUR 600 by GHW Verwaltung in the Company pursuant to Section 16 of the German Law on Limited Liability Companies is already provided for in the draft attached in Annex 13.1 (b) (ii));
- (iii) the Company shall prepare, in substantially the form as attached hereto in German as Annex 13.1 (b) (iii), a revised shareholders' list and submit it to the commercial register;
- (iv) GHW Verwaltung and GHW Gebäudemanagement shall adopt, in a notarial deed, in substantially the form as attached hereto in German as Annex 13.1 (b) (i), the resolution on the change of form of the Company the draft of which had been submitted to the works council of the Company in accordance with (i) above, waiving all requirements and rights relating to reports and the voidance or challenge of the resolution that can be waived under the applicable laws, and
- (v) the Company, acting through the deponent under 1., shall notify the change of legal form for registration in the commercial register by signing and submitting

the notification letter in substantially the form as attached hereto as Annex 13.1 (b) (v);

and

- c) all of the members of the supervisory boards of the Company appointed by the shareholders and of GHW Gebäudemanagement have provided the Purchaser with resignation letters as of the Closing Date in which they confirm that they have no claims against the Company other than claims for compensation pro rata temporis as per the Closing Date;

and

- d) The Sellers have provided the Purchaser with a balance sheet of GHW Gebäudemanagement as per a date as close as possible to the Completion Date which shows no assets other than the participation in the Company and the loan accounts and with no liabilities or accruals other than relating to the three employees of GHW Gebäudemanagement.

13.2 If any of the aforementioned conditions precedent described in Section 13.1 have not been satisfied on or before December 31, 2004, then either the Sellers or the Purchaser may rescind this Agreement by sending a corresponding certified letter (return receipt requested). If the Purchase Price has not been paid into the trust and escrow accounts in accordance with Section 3.4. and Section 3.6 within thirty banking days (Frankfurt/Main) following the date on which such payment has become due, then the Sellers may rescind this Agreement by sending a certified letter to the Purchaser (return receipt requested).

13.3 If the Purchase Price has been paid into the trust and escrow accounts in accordance with Section 3.4 and Section 3.6, but if the conditions described in Section 3.4 for releasing the funds in the trust account to the Sellers have not been met within four months following the date on which payment into the trust account had been made, then either the Sellers or the Purchaser may rescind this Agreement by sending - with a copy to the officiating notary and the Escrow Agent under the Escrow Agreement, as attached as Annex 3.6 sent by either the Sellers or the Purchaser - a certified letter (return receipt requested) to the Purchaser or to the Sellers, as the case may be, and all funds in the trust and escrow accounts are to be released to the Purchaser upon receipt of such copy.

13.4 Purchaser may waive by a letter to the Sellers (i) any warranty provided by the Sellers under this Agreement and/or (ii) any of the following conditions precedents: Section 13.1 b), Section 13.1 c), and Section 13.1 d).

SECTION 14
MERGER CONTROL

- 14.1 The condition precedent set forth in Section 13.1 a) concerning the Federal Cartel Office will be deemed satisfied at the expiration of the day, on which
- a) the one-month period set forth in Section 40 (1) sentence 1 GWB has expired, without the Federal Cartel Office having notified the Parties that it will initiate a second-stage review of the planned combination,
- or
- b) the four-month period set forth in Section 40 (2) sentence 2 GWB has expired, and no prohibition order from the Federal Cartel Office pursuant to Section 40 (2) sentence 1 GWB has been received during this period of time;
- or
- c) receipt of a written notice from the Federal Cartel Office indicating that the planned combination does not fulfil the requirements for prohibition under Section 36 GWB,
- or
- d) the Federal Cartel Office has authorised the combination, subject to conditions and/or requirements, the fulfilment of which is declared economically feasible by both GHW Gebäudemanagement and the Purchaser in writing at their sole discretion (willkürlich). GHW Gebäudemanagement and the Purchaser may declare at any time upon receipt of such authorisation in their sole discretion (willkürlich) to the respective other party that it does not accept such requirement or condition with the effect that this condition (Section 13.1 a)) is not fulfilled and such non-fulfilment is final.
- 14.2 In addition to Section 14.1 above, the respective merger notification regulations applicable in the following countries outside the Federal Republic of Germany must be complied with in a manner which allows consummation of this Agreement:
- a) Austria;

- b) Finland;
- c) Slovak Republic;
- d) Turkey;
- e) Poland;
- f) Czech Republic;
- g) South Africa.

Besides, the Parties agree that a filing in Brazil is necessary and will be made in a timely manner.

- 14.3 The condition precedent set forth in Section 13.1 a) will be met under the collective application of the rules under Section 14.1 and Section 14.2, only when the conditions for the Federal Republic of Germany under Section 14.1 and for the countries listed in Section 14.2 have been met.
- 14.4 If the planned combination under this Agreement is subject to merger control, then this Agreement will be subject to a condition subsequent, that neither the Federal Cartel Office nor the antitrust regulators of any country listed in Section 14.2 will prohibit the combination. This condition subsequent will enter into effect two weeks from the date on which one of the Parties has been served with a prohibition order from either the Federal Cartel Office or the antitrust regulators of the countries listed in Section 14.2.
- 14.5 The Parties shall co-operate with one another intensively in order to secure, promptly after the execution of this Agreement, the authorisation from the competent cartel and antitrust regulators under Section 14.1 and Section 14.2 to consummate the transaction. In particular, the Sellers and their advisors will use their best efforts to provide the Purchaser and its advisors promptly with all necessary information relating to GHW Gebäudemanagement and the Company and the Associated Companies to enable the Purchaser and its advisors to make complete and timely notifications in the countries listed in Section 14.1 and Section 14.2 above. If it appears that there is a risk that the planned combination will be prohibited by one or more of the regulatory authorities, then the Parties must promptly contact one another in order to eliminate, where possible, the circumstances obstructing the combination.
- 14.6 The Purchaser and/or Sellers, as the case may be, shall through their respective advisors promptly prepare all necessary and reasonable merger notifications and promptly gather any documents and information which are required in order to prepare merger notifications for filing with the competent cartel and antitrust regulatory authorities in the countries mentioned in Section 14.1 and Section 14.2. The draft petitions and the attachments and information related thereto must be coordinated with the Sellers' advisors and promptly

filed by the Purchaser. The Purchaser will advise the Sellers when each notification is made and will without undue delay provide the Sellers with a non-confidential version of each notification made. The Purchaser shall promptly inform the Sellers' advisors about any and all correspondence, orders, inquiries, prohibition orders, etc. issued by the competent regulatory authorities.

- 14.7 The Purchaser shall file any required closing notices to the cartel and antitrust regulatory authorities, such as the notification under Section 39 (6) GWB with the Federal Cartel Office.
- 14.8 Any fees or costs for filing and registering the planned combination will be borne solely by the Purchaser. The Sellers shall bear only the costs of their own advisers.
- 14.9 As regards proceedings in Section 14.2 a) through g), Section 14.1 d) sentence 2 shall apply respectively (entsprechend) so as to allow the parties to declare that the condition precedent in Section 13.1 a) is not fulfilled and such non-fulfillment is final.

SECTION 15
CONFIDENTIALITY, PRESS RELEASES AND OTHER DISCLOSURES

- 15.1 The Parties agree to treat as strictly confidential any information and knowledge, which they have received or will yet receive in connection with the negotiation, the execution and the performance of this Agreement as between themselves and concerning their respective affiliated enterprises as well as the content of this Agreement, including the Purchase Price.
- 15.2 The Sellers, on the one hand, and the Purchaser, on the other hand, shall issue press releases and other notices relating to this Agreement, only after obtaining the prior written consent of the other Party, such consent not to be unreasonably withheld or delayed.
- 15.3 Each Party must impose the foregoing duties on its affiliated companies, owners, committee members, employees and advisors.
- 15.4 The aforementioned provisions will not be affected by the fulfilment of any legally required notices, disclosures and other publication duties and of such rules and regulations of the Stock Exchange, to which a Party or its shareholders are admitted and by the fulfilment of any duties, which are required in order to perform this Agreement. In all

cases, each Party is obligated to inform the other Party about any intent to publish or otherwise disseminate information to the public and to obtain in advance that other Party's opinion with respect thereto.

SECTION 16
JOINT LIABILITY OF GUARANTOR, GUARANTEE

The Guarantor hereby assumes as co-debtor vis-a-vis the Sellers the obligation to cover any and all payments owed by the Purchaser under this Agreement.

SECTION 17
CONSENT REQUIREMENTS

- 17.1 The Sellers, as the sole limited partners, and GHW Verwaltung, as the sole general partner, hereby hold an extraordinary partners' meeting of GHW Gebäudemanagement (waiving all procedural forms and notice requirements) and, as a precautionary measure, adopt a resolution approving the sale and assignment of the Interests under the terms of this Agreement.
- 17.2 GHW Gebäudemanagement's supervisory board has already approved this Agreement. Minutes of the relevant resolution have been appended hereto as Annex Set 17.2. In addition, Annex Set 17.2 contains, as a measure of precaution, a declaration of consent of today from Dr. Reinhard Freiherr von Dalwigk, in his capacity as chairman of the supervisory board of GHW Gebäudemanagement, in which he has consented to and approved of all declarations given in and under this Agreement by GHW Verwaltung, both in the latter's name and in GHW Gebäudemanagement's name, regarding GHW Gebäudemanagement's participation in the Company and the future exercise of its voting rights in the Company as contemplated in this Agreement.
- 17.3 The Sellers hereby state, warrant and represent that no other consents or approvals will be required to affect the validity of this Agreement or its performance.
- 17.4 The Purchaser hereby represents that it has obtained any and all consents, approvals and authorisations required from its governing bodies in order to execute and perform this Agreement and that the Purchaser is not required to take any other action to legally execute and perform this Agreement.

SECTION 18
WRITING REQUIREMENT

Any modifications to this Agreement must be made in writing, unless a more stringent legal requirement prescribes otherwise. This same rule governs the waiver of this written form requirement.

SECTION 19
COSTS AND TAXES

As between the Parties, the Purchaser shall bear the costs of the notarisation of this Agreement as well as, unless expressly stipulated otherwise herein, any other costs arising as a result of the execution and continued performance of this Agreement, including any transaction taxes (Verkehrsteuern). Otherwise, each Party shall bear its own costs and expenditures, including the costs of its advisors.

SECTION 20
CHOICE OF LAW, JUDICIAL FORUM

- 20.1 This Agreement is governed by the substantive and procedural laws of the Federal Republic of Germany, to the exclusion of any reference provisions of German private international law (conflicts of law) and the UN Convention on Contracts for the International Sale of Goods (CISG).
- 20.2 The exclusive judicial forum - to the extent legally permissible - for any and all disputes arising from or connected with this Agreement (including any agreements attached thereto) and its/their validity is the District Court (Landgericht) of Dusseldorf. Any jurisdiction (international, federal, state, local, material) of the courts of the United States of America, or courts within the United States of America shall be excluded.

SECTION 21
MISCELLANEOUS

- 21.1 The Parties declare that the Company and Associated Companies' assets include real property.
- 21.2 The Parties are precluded from asserting a right to offset their respective claims under this Agreement against one another and/or from withholding performance if and to the extent that their claims or counterclaims have not been acknowledged or confirmed by a final and binding judgment.
- 21.3 The Parties hereby mutually accept all representations made in this Agreement.
- 21.4 The headings contained in this Agreement have been inserted for explanatory purposes only and may not be used for the purpose of contractual interpretation. For the avoidance of doubt, the Preamble and its contents form an integral part of this Agreement and are subject to the same rules of interpretation and construction as the main body of this Agreement.
- 21.5 Unless the relevant Party notifies the other Parties of another attorney who must have his/her practice in the Federal Republic of Germany, apart from (instead of) the Parties themselves, the following persons are authorised to receive service of all notices in connection with a legal dispute as described in Section 20.2 and any documents to be served in any pending legal dispute (including a Statement of Claim), and such persons are also authorised to receive declarations of intent under this Agreement, the validity of which is contingent upon receipt:
- a) On behalf of the Sellers:
- Aderhold v. Dalwigk Knuppel Rechtsanwaltsgesellschaft GmbH
Attn: Dirk Lange
Grafenberger Allee 159
40237 Dusseldorf
Facsimile: +49/211/6901-355
- b) On behalf of the Purchaser:
- Mayer Brown Rowe & Maw LLP
Attn. John A. Faylor
Bockenheimer Landstra(beta)e 98-100
60323 Frankfurt a.M.

Facsimile: +49/69/7941-100

with a simple copy, for information purposes only, to

Lear Corporation
Attn.: Mr. Paul Jefferson
22, rue Gynemer,
78600 Maisons-Laffitte, France

Facsimile: 0033 134 935281

c) On behalf of the Guarantor:

Mayer Brown Rowe & Maw LLP
Attn. John A. Faylor
Bockenheimer Landstra(beta)e 98-100
60323 Frankfurt a. M.
Facsimile: +49/69/7941-100

with a simple copy, for information purposes only, to :

Lear Corporation GmbH & Co. KG
Attn.: Mr. Daniel A. Ninivaggi
Vice President and General Counsel
21557 Telegraph Road
Southfield, Michigan 48384
Facsimile: 001 248 447 1524

All other notices under this Agreement shall be sent to:

d) On behalf of the Purchaser:

Lear Corporation
Attn.: Mr. Paul Jefferson
22, rue Gynemer,
78600 Maisons-Laffitte, France

Facsimile: 0033 134 935281

e) On behalf of the Sellers:

Aderhold v. Dalwigk Knuppel Rechtsanwaltsgesellschaft GmbH
Attn: Dr. Reinhard Freiherr von Dalwigk
Grafenberger Allee 159
40237 Dusseldorf
Facsimile: +49/211/6901-355

f) On behalf of the Guarantor:

Lear Corporation GmbH & Co. KG
Attn.: Mr. Daniel A. Ninivaggi
Vice President and General Counsel
21557 Telegraph Road
Southfield, Michigan 48384

Facsimile: 001 248 447 1524

- 21.6 Where not expressly permitted subject to certain conditions under this Agreement, claims for restoration of the agreed state of affairs, for compensatory damages or for indemnity under this Agreement may only be assigned with the consent of the other Party.
- 21.7 With the exception of the confidentiality agreement attached as Annex 21.7, this Agreement supersedes all agreements reached by the Parties prior to the conclusion of this Agreement.
- 21.8 If a term of this Agreement is or becomes wholly or partially invalid, this will not affect the validity of the remaining terms. The invalid term is to be replaced by a suitable term which, to the extent permitted by law, most closely reflects the commercial purpose intended by the Parties with the conclusion of this Agreement. The foregoing also applies if a term is invalid because of a performance standard or period of time prescribed by this Agreement. In such a case, the performance standard or period of time which comes closest to that which the parties intended shall be deemed agreed. The same applies in the event that any omissions are discovered.
- 21.9 The Sellers are jointly and severally liable for the performance of their obligations and the discharge of their liabilities under this Agreement.

SECTION 22
INSTRUCTIONS AND ADVICE OF THE NOTARY

The Deponents were instructed and advised by the notary that

- a) a change of legal form only becomes effective upon registration in the commercial register;
- b) irrespective of the arrangements agreed between the Parties in this instrument they remain jointly and severally liable for the notary's costs;
- c) the sale of the Interests under this Agreement may be subject to real property transfer tax;
- d) the notary has not provided the Parties with any tax advice, as they indicated that they received tax advice from elsewhere.

This instrument together with its Annexes with the exception of the following Annexes:

- Annex Set N
- Annex 5.2.2 a)
- Annex 5.2.2 (b) pages 2 to 11
- Annex 5.2.4
- Annex 5.2.5 (a)
- Annex 5.2.5 (b)
- Annex 5.2.8 pages 2 to the end
- Annex 5.3.1 pages 2 to the end
- Annex 5.3.2 (a) pages 1 to 8
- Annex 5.3.2 (b)
- Annex 5.3.3
- Annex 5.3.4
- Annex 5.3.4 d)
- Annex 5.4.1
- Annex 5.4.2
- Annex 5.4.3
- Annex 5.4.6 (b)
- Annex 5.4.8 pages 7 to the end
- Annex 5.4.9
- Annex 5.4.11
- Annex 5.6.9
- Annex 5.6.12
- Annex 5.6.16
- Annex 5.6.17
- Annex 5.6.22

were read aloud to the Deponents in the presence of the notary, approved by the Deponents and then personally signed by them and the notary as follows.

The Deponents waived their right to have read the aforementioned Annexes (with exception of the Annex Set N), they have taken cognizance of its content and have signed each page

of these Annexes. Annex 1.6 is the recording notary's deed of April 4, 2004 (Roll of Deed No. 319/2004). The deed has been presented in the original. The parties have taken cognizance of the content of the deed and have waived its reading. A notarially certified copy is to be taken as Annex 1.6 to this deed.

gez. Mr. Dipl.-Kfm. Margraf

gez. Mr. Jorg Swoboda

gez. Mr. Dirk Lange

gez. Mr. John A. Faylor

gez. Mr. Paul R. Jefferson

gez. Mr. Thomas Saeli

gez. Mr. Dr. Gerhard Pilger, Notar

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: May 13, 2004

By: /s/ Robert E. Rossiter

Robert E. Rossiter
Chairman and Chief Executive Officer

CERTIFICATION

I, David C. Wajsgras, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lear Corporation;
2. Based on my knowledge, this 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: May 13, 2004

By: /s/ David C. Wajsgras

David C. Wajsgras
Senior Vice President and Chief Financial Officer

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

In connection with the Quarterly Report of Lear Corporation (the "Company") on Form 10-Q for the period ended 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: May 13, 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.

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: May 13, 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.