



2004 annual report

full speed ahead ▶▶




full speed ahead ▶▶



mile markers

- ▶ 1917: Lear begins as a small seat-frame manufacturer called American Metal Products (AMP)
- ▶ 1962: a merger transforms AMP into Lear Siegler
- ▶ 1988: Lear Seating Corporation is formed, following a management-led leveraged buyout
- ▶ 1994: Lear goes public with initial stock offering on the New York Stock Exchange and begins "strategic acquisition" phase
- ▶ 1996: Lear's official name becomes Lear Corporation
- ▶ 1999: Lear achieves total interior integration capability
- ▶ 2002: Lear is awarded its first total interior integrator program
- ▶ 2003: Lear achieves investment grade status
- ▶ 2004: Lear initiates a cash dividend



"The Lear team is relentless about meeting the demand for world-class automotive interiors — that's what keeps us moving full speed ahead in the fastest-growing segment of the industry."

Robert E. Rossiter, Chairman and Chief Executive Officer



ahead of the trends

As people spend more time inside their vehicles, they're demanding more interior features. By anticipating the changing needs of automakers and relentlessly researching and responding to consumer preferences, Lear is well-positioned to meet this growing demand.

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highlights of 2004

- ▶▶ record \$17 billion in net sales
- ▶▶ net income per share of \$5.77
- ▶▶ acquisition of German electronics company Grote & Hartmann
- ▶▶ ranked No. 1 in its industry, "Motor Vehicle Parts," in *FORTUNE*® magazine's "America's Most Admired Companies" survey
- ▶▶ No. 129 among the *FORTUNE* 500®
- ▶▶ launched innovative products: Car2U™ and TouchTec™
- ▶▶ established new joint ventures and facilities in Asia
- ▶▶ three-year new business backlog of \$3.8 billion

letter to our shareholders

Our five pillars of success are: **the Lear culture, customer service, operational excellence, product innovation and profitable growth.** We firmly believe that the key to delivering superior value to our shareholders and sustaining our company over time is to put our customers first in everything we do.

the Lear culture ▶▶

The positive spirit and dedication of the Lear team is a distinct competitive advantage for our company. Every day, an inspired and diverse team of 110,000 employees in 34 countries work together to deliver high-quality interior products and outstanding service to all of the world's major automakers. Collectively, we excel at exceeding our customers' requirements and we never quit until the customer is completely satisfied.

customer service ▶▶

Our relentless focus on delivering great value and service is what has made Lear one of the fastest-growing companies in America, based upon revenue growth over the past decade.

For the third year in a row, Lear Corporation ranked No. 1 in its industry, "Motor Vehicle Parts," in *Fortune*® magazine's "America's Most Admired Companies" survey. Further emphasizing our customer focus, over the last five years, Lear seating systems have shown a 25% quality improvement in an independent study by J.D. Power and Associates. Thanks to the efforts of our employees, Lear also earned numerous customer accolades, such as a Global Value Achievement Award from Toyota and four World Excellence Awards from Ford Motor Company.

operational excellence ▶▶

In 2004, we continued to improve our operating fundamentals, with a particular emphasis on quality performance and operating efficiency. Our efforts produced another solid year of outstanding quality for our customers and improving financial results for our shareholders. We achieved our fourth consecutive year of quality improvement, with a significant reduction in our parts per million defective. We also delivered record financial results, including net sales of \$17 billion and net income of \$422 million, or \$5.77 per share. We posted strong cash flow and continued to reduce our net debt-to-capital ratio to its lowest level ever, while funding our acquisition of Grote & Hartmann. Our strong financial position allowed the company to pay a cash dividend and to repurchase nearly 2 million shares of Lear stock last year.



Lear leadership

James H. Vandenberghe, Vice Chairman
Robert E. Rossiter, Chairman and CEO
David C. Wajsgas, Senior Vice President and CFO
Douglas G. DeGrosso, President and COO, Americas
Donald J. Stebbins, President and COO, Europe, Asia and Africa

product innovation ▶▶

Lear continues to demonstrate product and technology leadership in the auto industry by introducing consumer-focused products. Our engineers and designers also made strides in new manufacturing techniques such as the two-shot molding process and the innovative use of new materials like our Spray PUR™ polyurethane applications. Globally, Lear has more than 3,500 patents and patent applications, reflecting our drive to deliver new products, features and technologies that customers value most.

Electronics content on vehicles is expected to increase in the upcoming years, and Lear's acquisition of a terminals and connectors business in 2004 provides the company with expertise and additional resources to continue our growth.

Our reputation as a full-service automotive interior integrator resulted in the industry's first-ever total interior program in partnership with General Motors on the all-new Cadillac DTS and Buick Lucerne models that go into production later this year.

profitable growth ▶▶

Expanding and improving on a global scale continues to be a focus for the Lear team. We reported solid 2004

financial performance in Europe, due in part to our leadership position in seating, and we expect our results to continue to improve in Europe.

Lear's greatest potential for growth is in the Asia Pacific region and with the Asian automakers worldwide. We formed new partnerships in Asia in 2004, bringing our total number of joint ventures in the region to 19, and 33 worldwide.

New contracts with Asian automakers in the U.S. and abroad will continue to fuel our growth. Lear's new Alabama facility is now supplying wire harnesses and seating to Hyundai, and Lear will provide interior trim for the 2007 Toyota Tundra. Our recently reported three-year sales backlog of \$3.8 billion reflects the ongoing confidence of our customers and ensures our continued sales momentum.

Full speed ahead ...

Robert E. Rossiter
Chairman and CEO

consumer connectivity

With millions of Americans enduring a daily commute of 90 minutes or more each way, the demand for comfortable, safe and innovative interiors has increased dramatically. Comfort, convenience and security have always been the foundation of Lear's vehicle interiors. They're also the continuing focus of Lear's Research & Design team, whose products enhance consumers' ability to interact with their vehicles — even when they're no longer inside their vehicles.

Consumer connectivity starts with Lear's People Vehicle Interface (PVI) process and continues with ongoing feedback from focus groups, Benchmarking and Craftsmanship audits and Voice of the Customer information. Lear researches the market, benchmarking products that are currently in the marketplace, and aggressively looks for new market opportunities. Then, keeping the consumer in mind, the Research & Design team works with Lear engineers to design and develop the next generation of interior products.

By understanding consumer preferences, Lear is able to prioritize its next-generation products and offer options to its automotive customers, who are always looking to differentiate their vehicle offerings in a competitive market.

consumer-driven products

In the global marketplace, Lear's understanding of differing consumer preferences for products and technologies leads to increased market share and content per vehicle.

When developing new products and technologies, Lear designers and engineers stay focused on how the products and electronics they integrate into a vehicle's interior can help consumers connect with their vehicles, ultimately enhancing the driving experience.

In 2004, Lear made advancements in consumer-oriented products that showcase its innovative Intertronics® technology,

which seamlessly integrates electronic, electrical and interior components. Lear's Intertronics portfolio contains:

▶▶ **safety products**, which include OccuSense® Occupant Detection System and IntelliTire® Tire Pressure Monitoring System;

▶▶ **ergonomic features**, including the new ultimate integrated center stack, made possible by Lear's TouchTec™ Touchless Switch Technology; and

▶▶ **comfort and convenience features**, such as Car2U™ Two-Way Remote Keyless Entry System and power-folding third-row seats.

Lear delivers on the key features consumers demand most

▶▶ comfortable seats

▶▶ steering wheel-mounted stereo controls

▶▶ controlled noise, vibration and handling

▶▶ well-designed cup holders and ample storage

▶▶ two power points and a hands-free, voice-activated phone system

Based on a list of top ten features for commuter cars identified by Edmunds.com, 2004.



Car2U Two-Way Remote Keyless Entry System

Allows drivers to stay connected with their cars from a distance of more than 650 feet. Through an open interface between vehicle and driver, consumers can command remote start, temperature and security function and download vehicle status instantly.



IntelliTire Tire Pressure Monitoring System

Alerts drivers when tire pressure is low by evaluating tire pressure and temperature inside a vehicle's wheel. IntelliTire gives two types of warnings, indicating non-critical situations and those that need immediate attention. Tire pressure monitoring systems in some form are expected to be required on all vehicles sold in the United States by the end of the decade.



Integrated Center Stack

Uses Lear's TouchTec Touchless Switch Technology to accurately detect an occupant's finger via an electric field, activating various vehicle functions. All center stack controls are integrated into a thin, customizable package that gives automakers styling flexibility, simplified assembly and total system cost reduction.

the perception of quality

Every consumer, in every vehicle segment, has the expectation of quality. That's why Lear maintains a company-wide sensitivity to "perceived quality" and designs products according to five Harmony and Craftsmanship principles: precise appearance, harmonious integration of parts, appropriate materials, functional interface and perceived spacious environment. Lear wants to appeal to all of the senses — not just with the physical attributes and performance of a product, but with subjective aspects such as sound and smell. The goal is to strengthen the emotional connection that people have with their vehicles.



customers drive Lear's success

Lear has always had a strong philosophy of taking care of its customers, working in close partnership with automakers in order to deliver the best-quality products for the best price in the industry — and deliver them on time.

Taking the design lead on some projects, and providing design support on others, Lear works with automakers to achieve quality, craftsmanship and cost targets.

Lear's Global Business Practices team creates world-class product development systems and methodologies that give Lear the ability to deliver best-in-class interiors, with price points that meet customer specifications.

Delivering outstanding service, innovative products and competitive solutions to customers is Lear's priority focus.

"quality first" culture

"Quality First" is on the mind of every Lear employee, as the company continues to focus on operational excellence in its facilities — excellence that translates into customer satisfaction. In 2004, Lear made gains in company initiatives such as Lean Manufacturing, which eliminates waste in plants, and Six Sigma, which reduces variations in products and processes — both part of Lear's Continuous Improvement "tool box." Lear was able to significantly reduce defective parts per million (PPMs). Another quality initiative, Harmony and Craftsmanship, monitors Voice of the Customer information, such as J.D. Power and Associates Initial Quality rankings, warranty and consumer reports and best-in-class comparisons, and helped to drive Lear's customer ratings up in the market.



committed to "Best in Class"

Lear's Benchmarking and Craftsmanship audits drive continuous product improvement. From left: A Lear engineer measures components in a vehicle tear-down; consumer feedback leads to innovations such as the LED lighting system on the 2006 Cadillac DTS and the MediaConsole infotainment center. Below: Lear conducts a consumer focus group to better understand consumer trends and preferences.



putting "green" into "lean"

Lear works closely with automakers and suppliers globally to reduce the environmental impact of its products. This includes eliminating hazardous materials through the education of its engineers in Design for Envi-

ronment fundamentals and reducing the environmental aspects of the manufacturing process through Lear's Program Management Process and Product Lifecycle Management Systems. Lear has also improved its Envi-

ronmental Management System performance by working with existing Continuous Improvement tools, such as Six Sigma and Lean Manufacturing, to eliminate waste and promote "green" manufacturing.

automakers are focused on  world-class interiors

the industry is progressing to  total interior integration



the first total interior program

In 2002, GM awarded Lear total interior integrator responsibility on the all-new 2006 Cadillac DTS and Buick Lucerne, which will be introduced in 2005. This total interior program is the best example to date of Lear working as a partner with a major automaker — co-designing, co-sourcing and co-engineering.

Involvement in the early stages of the program allowed Lear to interface with the vehicles as a whole. For example, Lear

harmonically tuned interior surfaces and utilized its Spray PUR process for the instrument panels. The result: superior fit and finish and soft surfaces with grain and gloss mastery — all of the things consumers want in a luxury-segment instrument panel.

Lear's consumer research and total interior integration capabilities provided another advantage to the project. Lear was able to balance all the critical elements that go into a total interior and prioritize within the entire envi-

ronment, shifting resources and program spending to give more value to consumers, as well as cost-effective solutions to the automaker.

Lear has made 18 major strategic acquisitions since 1994 to be able to execute this kind of industry-first total interior program — a program that leverages its electronics and interiors capabilities, gives customers what they want and is fast to market. Lear is well-positioned to work with customers at any level of integration required.



true integration

When a customer wants a product such as an instrument panel and cockpit system, Lear is able to integrate all of the electronics, switches, cargo management and safety items into the system and deliver a turnkey solution. They just plug it in — and it works. If integrated correctly, consumers will appreciate the benefits of the technology at an affordable cost.

Lear's ability to seamlessly integrate electronic and electrical components into all five principal interior systems within a vehicle demonstrates the level of detail and thinking that puts Lear ahead of its competitors. This capability resulted in a number of "firsts" for Lear on the total interior integrator programs: the company's first award of a total wiring system with GM, and its first LED lighting package.

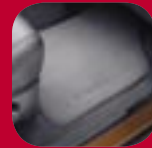
"The earlier Lear gets involved with a customer in developing a new interior, the more impact we can have."

Robert Morris, Vice President,
Interior Integration
Lear-GM Division



seat systems ▶▶

#1



flooring and
acoustic systems ▶▶

#2



door panels ▶▶

#2



electrical distribution
systems ▶▶

#3



headliners ▶▶

#3



instrument panels ▶▶

#7

from Lear 2004 market share study

asian expansion

In 2004, Lear added low-cost engineering and manufacturing centers, along with new joint ventures and partnerships, in Asia. Some highlights: In China, Lear now has 12 joint ventures, adding a new operation in Beijing to serve Hyundai and one in partnership with Tachi-S, one of Japan's largest and most respected seat makers, to serve Nissan. Lear established its first wholly owned foreign entity in China and joined with First Autoworks to win an Audi seat contract. Lear also opened a new electronics plant to supply Shanghai GM, Honda and Saturn. The Lear-Yunhe joint venture was awarded its first seat business with DPCA, the Peugeot joint venture with Dongfeng Motors, which positions Lear to better serve Nissan and Honda.



Mazda RX-8

the global market

Lear's business around the world is growing at a fast pace — especially in Asia, where our business has more than doubled from 2002 to 2004. A trusted global partner, Lear works with North American and European automakers as they expand into Asia, and shares its expertise with Asian automakers as

they expand into North America and Europe. For example, to support Toyota's truck business, Lear formed a joint venture in Texas. In addition, global platforms are helping Lear differentiate and diversify products so that they appeal to markets in North America, Europe and Asia. In recent years,

Lear strengthened its global team of Lear experts and local management who understand the Asian markets and can support growth. As a result, Lear has expanded its new business backlog significantly. Asian automakers have also shown significant interest in Lear's products and technologies.



worldwide nameplates
with Lear content ▶▶

300

countries home to
Lear facilities ▶▶

34

worldwide technology
centers ▶▶

6

Lear employees around
the globe ▶▶

110,000



advancing relentlessly

Lear is growing its partnerships with Asian automakers. Shown here: Hyundai Chairman Chung Mong-Koo welcomes Lear Chairman Bob Rossiter at his company's headquarters in Korea.

Lear is well-positioned for ▶▶
profitable growth worldwide

Lear is
consumer-
driven and
customer-
focused ▶▶

we're well-
positioned for
growth with
total interior
capabilities ▶▶

we expect rapid
growth in Asia
and with Asian
automakers ▶▶

we're moving full
speed ahead ▶▶

LEA
LISTED
NYSE

Lear is traded on
the New York Stock
Exchange under the
symbol LEA.

delivering shareholder value

While the external environment is constantly changing, our strategy at Lear has not deviated. We continue to have a balanced, long-term approach to creating shareholder value. Here are the key elements:

Most important, we are leveraging our core capabilities as a leader in automotive interiors to provide superior value to our customers and to profitably grow our business worldwide. This means:

- ▶▶ Delivering high quality and customer satisfaction;
- ▶▶ Expanding our presence in Asia and with Asian manufacturers globally;
- ▶▶ Maintaining global competitiveness by growing our low-cost manufacturing and engineering capability;
- ▶▶ Leveraging our scale, expertise and common architecture strategy; and
- ▶▶ Investing in new business development and plant efficiencies.

Our strategy supports continued profitable growth and strong cash flow. We plan to utilize our cash flow to further enhance shareholder value. We'll continue to invest in new programs and pursue strategic acquisitions. We are also returning cash to shareholders through dividends — having just announced an increase earlier this year. And, we have pursued a balanced approach to share repurchases. Last year, we purchased almost 2 million shares.

At the same time, we intend to maintain a strong and flexible balance sheet. In recent years, we have utilized our strong cash flow to strengthen our balance sheet and reduce our overall financial leverage. We ended 2004 with the lowest net debt-to-cap ratio since the company went public.



operational excellence

Lear's dedicated global work force designs, engineers, manufactures, validates and delivers the highest-quality products possible.



management

Robert E. Rossiter
Chairman and
Chief Executive Officer

James H. Vandenberghe
Vice Chairman

Douglas G. DelGrosso
President and COO –
Americas

Donald J. Stebbins
President and COO –
Europe, Asia and Africa

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Senior Vice President and
Chief Financial Officer

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Korea

Warwick A. Bond
DCX/Porsche

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Jimmie E. Comer
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China

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Seating Systems

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Electrical Systems – Europe

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Stefan Keimig
BMW

Arthur Kennedy
Continuous Improvement

Peter Kong
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Collin C. Malcolm
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Legal and Compliance

James L. Murawski
Corporate Controller

Patrick M. Murray
Research & Design

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South America

Bernhard Niggemeier
South Africa

Daniel A. Ninivaggi
General Counsel and
Corporate Secretary

Frank Orsini
DaimlerChrysler

Johann Osenstatter
VW Group

Thomas L. Saali
Corporate Development

Louis R. Salvatore
Ford, Interior
and Electrical Systems

Raymond E. Scott
European Customer-
Focused Group

Joseph F. Sefcik
Purchasing

Frank B. Sovis
General Motors

Mel Stephens
Communications &
Corporate Relations

Daniel A. Wiedech
Internal Audit

P. Joseph Zimmer
Interior Products – Europe

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and Chief Financial Officer
Ford Motor Company
and Former President
Mazda Motor Corporation

Richard F. Wallman
Former Senior Vice President
and Chief Financial Officer
Honeywell International Inc.

vision

To be consistently recognized by our:

- ▶▶ customers
- ▶▶ employees
- ▶▶ shareholders
- ▶▶ suppliers
- ▶▶ communities

as the company of **first choice**

mission

Exceed our customers' needs and expectations by:

- ▶▶ delivering the highest-quality products and services
- ▶▶ conducting our business with humility and integrity
- ▶▶ continually improving our operating efficiency

Provide our employees, our most valuable resource, with an environment that:

- ▶▶ treats all individuals with dignity and respect
- ▶▶ allows everyone to reach their full potential
- ▶▶ encourages inclusion and active participation
- ▶▶ is safe and clean

Maximize value for our shareholders

Treat our suppliers with respect and nurture mutually beneficial relationships

Support the communities where we do business



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