



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 **October 2, 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)

**13-3386776**

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

**21557 Telegraph Road, Southfield, MI**

(Address of principal executive offices)

**48034**

(Zip code)

**(248) 447-1500**

(Registrant's telephone number, including area code)

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

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 November 5, 2004, the number of shares outstanding of the registrant's Common Stock, par value \$0.01 per share, was 67,329,583.

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**LEAR CORPORATION**  
**FORM 10-Q**  
**FOR THE QUARTER ENDED OCTOBER 2, 2004**  
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**LEAR CORPORATION**

**PART I — FINANCIAL INFORMATION**

**ITEM 1 — CONSOLIDATED FINANCIAL STATEMENTS**

**INTRODUCTION TO THE CONSOLIDATED FINANCIAL STATEMENTS**

We have prepared the condensed consolidated financial statements of Lear Corporation and subsidiaries, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. We believe that the disclosures are adequate to make the information presented not misleading when read in conjunction with the financial statements and the notes thereto included in our Annual Report on Form 10-K, as filed with the Securities and Exchange Commission for the year ended December 31, 2003.

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

## LEAR CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(In millions, except share data)

	October 2, 2004	December 31, 2003
	(Unaudited)	
<b>ASSETS</b>		
<i>CURRENT ASSETS:</i>		
Cash and cash equivalents	\$ 501.6	\$ 169.3
Accounts receivable	2,516.2	2,200.3
Inventories	683.8	550.2
Recoverable customer engineering and tooling	171.1	169.0
Other	324.9	286.6
Total current assets	<u>4,197.6</u>	<u>3,375.4</u>
<i>LONG-TERM ASSETS:</i>		
Property, plant and equipment, net	1,930.4	1,817.8
Goodwill, net	2,968.1	2,940.1
Other	480.4	437.7
Total long-term assets	<u>5,378.9</u>	<u>5,195.6</u>
	<u>\$9,576.5</u>	<u>\$8,571.0</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<i>CURRENT LIABILITIES:</i>		
Short-term borrowings	\$ 24.1	\$ 17.1
Accounts payable and drafts	2,614.4	2,444.1
Accrued liabilities	1,250.7	1,116.9
Current portion of long-term debt	612.6	4.0
Total current liabilities	<u>4,501.8</u>	<u>3,582.1</u>
<i>LONG-TERM LIABILITIES:</i>		
Long-term debt	1,854.1	2,057.2
Other	708.0	674.2
Total long-term liabilities	<u>2,562.1</u>	<u>2,731.4</u>
<i>STOCKHOLDERS' EQUITY:</i>		
Common stock, \$0.01 par value, 150,000,000 shares authorized; 73,040,228 shares issued as of October 2, 2004 and 72,453,683 shares issued as of December 31, 2003	0.7	0.7
Additional paid-in capital	1,054.9	1,027.7
Common stock held in treasury, 4,831,245 shares as of October 2, 2004 and 4,291,302 shares as of December 31, 2003, at cost	(157.1)	(110.8)
Retained earnings	1,700.9	1,441.8
Accumulated other comprehensive loss	(86.8)	(101.9)
Total stockholders' equity	<u>2,512.6</u>	<u>2,257.5</u>
	<u>\$9,576.5</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		Nine Months Ended	
	October 2, 2004	September 27, 2003	October 2, 2004	September 27, 2003
Net sales	\$3,897.8	\$3,491.5	\$12,673.9	\$11,491.4
Cost of sales	3,577.6	3,187.8	11,635.2	10,525.9
Selling, general and administrative expenses	161.1	140.6	487.5	428.8
Interest expense	43.3	44.0	121.6	144.7
Other expense, net	10.0	13.4	38.9	40.6
Income before provision for income taxes	105.8	105.7	390.7	351.4
Provision for income taxes	14.1	29.6	91.5	103.3
Net income	\$ 91.7	\$ 76.1	\$ 299.2	\$ 248.1
Basic net income per share	\$ 1.34	\$ 1.13	\$ 4.37	\$ 3.74
Diluted net income per share	\$ 1.32	\$ 1.10	\$ 4.26	\$ 3.65

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

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

	Nine Months Ended	
	October 2, 2004	September 27, 2003
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 299.2	\$ 248.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	258.4	234.7
Net change in recoverable customer engineering and tooling	(5.3)	(40.5)
Net change in working capital items	(61.4)	80.3
Other, net	23.5	27.9
Net cash provided by operating activities before net change in sold accounts receivable	514.4	550.5
Net change in sold accounts receivable	(70.4)	(190.9)
Net cash provided by operating activities	<u>444.0</u>	<u>359.6</u>
<b>Cash Flows from Investing Activities:</b>		
Additions to property, plant and equipment	(283.7)	(214.2)
Cost of acquisitions, net of cash acquired	(97.5)	(12.4)
Other, net	34.0	31.5
Net cash used in investing activities	<u>(347.2)</u>	<u>(195.1)</u>
<b>Cash Flows from Financing Activities:</b>		
Issuance of senior notes	399.2	—
Long-term debt repayments, net	(51.5)	(126.1)
Short-term debt repayments, net	(37.0)	(28.4)
Dividends paid	(54.6)	—
Proceeds from exercise of stock options	20.1	42.5
Repurchase of common stock	(50.6)	(1.1)
Increase (decrease) in drafts	3.6	(33.5)
Net cash provided by (used in) financing activities	<u>229.2</u>	<u>(146.6)</u>
Effect of foreign currency translation	6.3	(7.1)
<b>Net Increase in Cash and Cash Equivalents</b>	332.3	10.8
<b>Cash and Cash Equivalents as of Beginning of Period</b>	169.3	91.7
<b>Cash and Cash Equivalents as of End of Period</b>	<u>\$ 501.6</u>	<u>\$ 102.5</u>
<b>Changes in Working Capital:</b>		
Accounts receivable	\$(222.0)	\$(454.5)
Inventories	(89.7)	(4.3)
Accounts payable	160.2	365.1
Accrued liabilities and other	90.1	174.0
Net change in working capital items	<u>\$ (61.4)</u>	<u>\$ 80.3</u>
<b>Supplementary Disclosure:</b>		
Cash paid for interest	\$ 93.5	\$ 103.8
Cash paid for income taxes	<u>\$ 100.1</u>	<u>\$ 140.5</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 October 2, 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		Nine Months Ended	
	October 2, 2004	September 27, 2003	October 2, 2004	September 27, 2003
Net income, as reported	\$91.7	\$76.1	\$299.2	\$ 248.1
Add: Stock-based employee compensation expense included in reported net income, net of tax	2.4	1.6	7.3	3.2
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax	(4.5)	(5.8)	(15.9)	(16.8)
Net income, pro forma	<u>\$89.6</u>	<u>\$71.9</u>	<u>\$290.6</u>	<u>\$ 234.5</u>
Net income per share:				
Basic — as reported	\$1.34	\$1.13	\$ 4.37	\$ 3.74
Basic — pro forma	\$1.31	\$1.07	\$ 4.24	\$ 3.54
Diluted — as reported	\$1.32	\$1.10	\$ 4.26	\$ 3.65
Diluted — pro forma	\$1.29	\$1.04	\$ 4.14	\$ 3.45

**(3) Facility Actions**

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

**(4) Acquisition**

On July 5, 2004, the Company completed its acquisition of the parent of GHW Grote & Hartmann GmbH (“Grote & Hartmann”) for consideration of \$160.2 million, including assumed debt of \$86.3 million, subject to adjustment. This amount excludes the cost of



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

integration, as well as other costs related to the transaction. Grote & Hartmann is based in Wuppertal, Germany and manufactures terminals and connectors, as well as junction boxes and machinery to produce wire harnesses, primarily for the automotive industry.

The Grote & Hartmann acquisition was accounted for as a purchase, and accordingly, the assets purchased and liabilities assumed are included in the consolidated balance sheet as of October 2, 2004. The operating results of Grote & Hartmann are included in the consolidated financial statements since the date of acquisition. The purchase price and related allocation are shown below (in millions):

Consideration paid to former owner	\$ 73.9
Debt assumed	86.3
Fees and expenses	3.2
Cost of acquisition	<u>\$163.4</u>
Property, plant and equipment	\$102.4
Net working capital	36.3
Restructuring accrual	(16.8)
Other assets purchased and liabilities assumed, net	(22.8)
Goodwill	26.0
Intangible assets	38.3
Total cost allocation	<u>\$163.4</u>

The purchase price and related allocation are preliminary and may be revised as a result of adjustments made to the purchase price, obtaining additional information regarding liabilities assumed, including contingent liabilities, and revisions of preliminary estimates of fair values made at the date of purchase. Additionally, at the time of the acquisition, the Company began to formulate plans for the restructuring of certain acquired operations. The Company is continuing to finalize these restructuring plans, which include potential plant closings and the termination or relocation of employees.

Intangible assets include amounts recognized for the fair value of customer contracts, customer relationships and technology acquired. These intangible assets have a weighted average useful life of approximately fifteen years.

The pro forma effects of this acquisition would not materially impact the Company's reported results for any period presented.

#### **(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):

	October 2, 2004	December 31, 2003
Raw materials	\$521.7	\$399.1
Work-in-process	46.0	37.6
Finished goods	116.1	113.5
Inventories	<u>\$683.8</u>	<u>\$550.2</u>

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

**(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):

	October 2, 2004	December 31, 2003
Land	\$ 135.1	\$ 124.6
Buildings and improvements	706.3	673.7
Machinery and equipment	2,731.8	2,501.5
Construction in progress	44.4	61.3
Total property, plant and equipment	3,617.6	3,361.1
Less — accumulated depreciation	(1,687.2)	(1,543.3)
Net property, plant and equipment	<u>\$ 1,930.4</u>	<u>\$ 1,817.8</u>

Depreciation expense was \$86.8 million and \$82.6 million in the three months ended October 2, 2004 and September 27, 2003, respectively, and \$256.9 million and \$234.7 million in the nine months ended October 2, 2004 and September 27, 2003, respectively,

**(7) Goodwill**

A summary of the changes in the carrying amount of goodwill, by reportable operating segment, for the nine months ended October 2, 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
Acquisition	—	—	26.0	26.0
Foreign currency translation and other	9.4	(7.1)	(0.3)	2.0
Balance as of October 2, 2004	<u>\$1,032.8</u>	<u>\$1,015.8</u>	<u>\$919.5</u>	<u>\$2,968.1</u>

**(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 17, “Financial Instruments,” and the amortization of debt discount, is shown below (in millions):

Debt Instrument	October 2, 2004		December 31, 2003	
	Long-Term Debt	Weighted Average Interest Rate	Long-Term Debt	Weighted Average Interest Rate
5.75% Senior Notes, due August 2014	\$ 399.2	5.635%	\$ —	—
Zero-coupon Convertible Senior Notes, due February 2022	283.0	4.75%	273.2	4.75%
8.125% Euro-denominated Senior Notes, due April 2008	308.2	8.125%	313.8	8.125%
8.11% Senior Notes, due May 2009	800.0	7.40%	800.0	7.18%
7.96% Senior Notes, due May 2005	600.0	6.51%	600.0	6.36%
Other	76.3	4.45%	74.2	4.34%
	2,466.7		2,061.2	
Current portion	(612.6)		(4.0)	
Long-term debt	<u>\$1,854.1</u>		<u>\$2,057.2</u>	

On August 3, 2004, the Company issued \$400 million aggregate principal amount of unsecured 5.75% senior notes due 2014, yielding gross proceeds of \$399.2 million. The notes are unsecured and rank equally with the Company’s other unsecured senior indebtedness, including the Company’s other senior notes. The offering of the notes was not registered under the Securities Act of 1933, as amended (the “Securities Act”). Under the terms of a registration rights agreement entered into in connection with the

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

issuance of the notes, the Company is required to complete an exchange offer of the notes for substantially identical notes registered under the Securities Act. The Company would be required to pay additional interest on the notes in the event the exchange offer is not completed by a specified date and under certain other circumstances.

On August 26, 2004, the Company amended its outstanding zero-coupon convertible senior notes to require the settlement of any repurchase obligation with respect to the convertible senior notes for cash.

As of October 2, 2004, the Company's primary credit facility consisted of a \$1.7 billion amended and restated credit facility, which matures on March 26, 2006. The Company's \$250 million revolving credit facility matured on May 4, 2004. As of October 2, 2004 and December 31, 2003, there were no amounts outstanding under the Company's primary credit facility.

The Company's primary credit facility contains numerous covenants relating to the maintenance of certain financial ratios and to the management and operation of the Company. The covenants include, among other restrictions, limitations on indebtedness, guarantees, mergers, acquisitions, fundamental corporate changes, asset sales, investments, loans and advances, liens, dividends and other stock payments, transactions with affiliates and optional payments and modification of debt instruments. The Company's senior notes also contain covenants restricting the ability of the Company and its subsidiaries to incur liens and to enter into sale and leaseback transactions and restricting the ability of the Company to consolidate with, to merge with or into, or to sell or otherwise dispose of all or substantially all of its assets to any person. As of October 2, 2004, the Company was in compliance with all covenants and other requirements set forth in its primary credit facility and senior notes.

The Company's obligations under its primary credit facility and senior notes are guaranteed, on a joint and several basis, by certain of its significant subsidiaries, all of which are directly or indirectly 100%-owned by Lear. See Note 19, "Supplemental Guarantor Condensed Consolidating Financial Statements."

**(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	
	October 2, 2004	September 27, 2003	October 2, 2004	September 27, 2003
Service cost	\$ 8.9	\$ 8.4	\$ 3.6	\$ 3.7
Interest cost	6.9	7.1	3.3	3.1
Expected return on plan assets	(4.6)	(4.4)	—	—
Amortization of actuarial loss	0.7	0.7	1.0	0.7
Amortization of transition (asset) obligation	(0.1)	0.1	0.3	0.5
Amortization of prior service cost	0.8	1.0	(0.7)	(0.1)
Net periodic benefit cost	<u>\$12.6</u>	<u>\$12.9</u>	<u>\$ 7.5</u>	<u>\$ 7.9</u>

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

	Pension		Other Postretirement	
	Nine Months Ended		Nine Months Ended	
	October 2, 2004	September 27, 2003	October 2, 2004	September 27, 2003
Service cost	\$ 30.2	\$ 25.2	\$10.8	\$11.1
Interest cost	25.8	21.3	9.5	9.3
Expected return on plan assets	(18.8)	(13.2)	—	—
Amortization of actuarial loss	2.3	2.1	3.0	2.1
Amortization of transition (asset) obligation	(0.3)	0.3	0.9	1.5
Amortization of prior service cost	3.5	3.0	(2.1)	(0.3)
Special termination benefits	0.1	—	0.2	—
Curtailement gain	—	—	(7.7)	—
Net periodic benefit cost	<u>\$ 42.8</u>	<u>\$ 38.7</u>	<u>\$14.6</u>	<u>\$23.7</u>

*Contributions*

Employer contributions to the Company's domestic and foreign pension plans for the three and nine months ended October 2, 2004, were approximately \$12.9 million and \$28.0 million, respectively. The Company expects to contribute an additional \$10 to \$12 million, in aggregate, to its domestic and foreign pension portfolios in the last three months of 2004.

*New Legislation*

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

In May 2004, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," which provides the applicable accounting guidance related to the federal subsidy. In accordance with the transition provisions of FSP 106-2, the effects of the Act are reflected in the measurement of the postretirement benefit obligation and net periodic postretirement benefit cost as of and for the three and nine months ended October 2, 2004. The effects of adoption were not significant.

**(10) Other Expense, Net**

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

	Three Months Ended		Nine Months Ended	
	October 2, 2004	September 27, 2003	October 2, 2004	September 27, 2003
Other expense	\$11.6	\$16.4	\$44.1	\$47.4
Other income	(1.6)	(3.0)	(5.2)	(6.8)
Other expense, net	<u>\$10.0</u>	<u>\$13.4</u>	<u>\$38.9</u>	<u>\$40.6</u>

**(11) Provision for Income Taxes**

The provision for income taxes was \$14.1 million, representing an effective tax rate of 13.3%, and \$29.6 million, representing an effective tax rate of 28.0%, in the three months ended October 2, 2004 and September 27, 2003, respectively. The provision for income taxes was \$91.5 million, representing an effective tax rate of 23.4%, and \$103.3 million, representing an effective tax rate of 29.4%, in the nine months ended October 2, 2004 and September 27, 2003, respectively. The tax provision for the three months and nine months ended October 2, 2004, includes the benefit from a favorable tax settlement related to prior years' tax return matters, which reduced the effective tax rate by 14.5% and 3.9%, respectively. Excluding the impact of this settlement, the effective tax rates for the three and nine months ended October 2, 2004 and September 27, 2004, 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.

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

On October 22, 2004, the American Jobs Creation Act of 2004 (the "Act") was signed into law. The Act contains a one-time foreign dividend repatriation provision, which provides for a special deduction with respect to certain qualifying dividends from foreign subsidiaries for a limited period. The Company anticipates that its review of the Act will be completed as related guidance is issued and analysis of certain provisions of the Act is completed.

**(12) 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		Nine Months Ended	
	October 2, 2004	September 27, 2003	October 2, 2004	September 27, 2003
Weighted average common shares outstanding	68,327,106	67,068,415	68,506,459	66,301,793
Dilutive effect of common stock equivalents	<u>1,375,770</u>	<u>1,930,169</u>	<u>1,684,196</u>	<u>1,756,233</u>
Diluted shares outstanding	<u>69,702,876</u>	<u>68,998,584</u>	<u>70,190,655</u>	<u>68,058,026</u>

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

	Three Months Ended		Nine Months Ended	
	October 2, 2004	September 27, 2003	October 2, 2004	September 27, 2003
Antidilutive options outstanding	16,000	552,000	—	552,000
Exercise price	\$ 55.33	\$ 54.22	—	\$ 54.22

The 4,813,056 shares issuable upon conversion of the Company's outstanding zero-coupon convertible senior notes are not included in the computation of diluted shares outstanding, as none of the contingent conversion events set forth in the notes has occurred. In October 2004, the FASB ratified the final consensus of the Emerging Issues Task Force ("EITF") on EITF 04-08, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share," which states that the impact of contingently convertible instruments that are convertible into common stock upon the achievement of a specified market price of the issuer's shares, such as the Company's outstanding zero-coupon convertible senior notes, should be included in diluted net income per share computations regardless of whether the market price trigger has been met. The provisions will be effective for reporting periods ending after December 15, 2004, and all prior period net income per share amounts presented will be restated to conform to the new provisions. The effect of EITF 04-08 on the calculation of basic and diluted net income per share will be to adjust net income by adding back after-tax interest expense and to increase total shares outstanding by the number of shares that would be issuable upon conversion. The pro forma effects of this new accounting pronouncement are shown below (in millions, except per share data):

	Three Months Ended		Nine Months Ended	
	October 2, 2004	September 27, 2003	October 2, 2004	September 27, 2003
Net income, as reported	\$ 91.7	\$ 76.1	\$ 299.2	\$ 248.1
Add: After-tax interest expense on convertible debt	<u>2.3</u>	<u>2.2</u>	<u>7.0</u>	<u>6.6</u>
Net income, for diluted net income per share	<u>\$ 94.0</u>	<u>\$ 78.3</u>	<u>\$ 306.2</u>	<u>\$ 254.7</u>
Diluted shares outstanding, as reported	69,702,876	68,998,584	70,190,655	68,058,026
Add: Shares issuable upon conversion of convertible debt	<u>4,813,056</u>	<u>4,813,056</u>	<u>4,813,056</u>	<u>4,813,056</u>
Diluted shares outstanding, pro forma	<u>74,515,932</u>	<u>73,811,640</u>	<u>75,003,711</u>	<u>72,871,082</u>
Diluted net income per share, pro forma	\$ 1.26	\$ 1.06	\$ 4.08	\$ 3.50

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.

**LEAR CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**(13) 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		Nine Months Ended	
	October 2, 2004	September 27, 2003	October 2, 2004	September 27, 2003
Net income	\$ 91.7	\$76.1	\$299.2	\$248.1
Other comprehensive income (loss):				
Derivative instruments and hedging activities	1.8	1.2	11.5	9.6
Foreign currency translation adjustment	21.9	(0.8)	3.6	54.5
Other comprehensive income	23.7	0.4	15.1	64.1
Comprehensive income	<u>\$115.4</u>	<u>\$76.5</u>	<u>\$314.3</u>	<u>\$312.2</u>

**(14) 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 nine months of 2004 and 2003, the Company capitalized \$168.3 million and \$128.8 million, respectively, of pre-production ER&D costs for which reimbursement is contractually guaranteed by the customer. In addition, during the first nine months of 2004 and 2003, the Company capitalized \$289.0 million and \$245.2 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 nine months ended October 2, 2004 and September 27, 2003, the Company collected \$474.1 million and \$315.7 million, respectively, of cash related to the reimbursement of ER&D and tooling costs.

During the first nine months of 2004 and 2003, the Company capitalized \$24.3 million and \$33.9 million, respectively, of Company-owned tooling. These amounts are included in property, plant and equipment, net, in the consolidated balance sheets.

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

	October 2, 2004	December 31, 2003
Current	\$171.1	\$169.0
Long-term	232.8	233.5
Recoverable customer engineering and tooling	<u>\$403.9</u>	<u>\$402.5</u>

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.

**(15) Legal and Other Contingencies**

As of October 2, 2004 and December 31, 2003, the Company had recorded reserves for pending legal disputes, including commercial disputes and other matters, of \$25.5 million and \$40.9 million, respectively. Such reserves reflect amounts recognized in accordance with accounting principles generally accepted in the United States and typically exclude the cost of legal representation.

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

### *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, although the outcomes of these matters are inherently uncertain.

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 breach of contract and promissory estoppel claims and has submitted a report alleging up to approximately \$75 million in damages. The Company has filed a counterclaim and believes that it has meritorious defenses to Seton's liability and damages claims. The Company intends to vigorously contest the lawsuit. As of the date of this Report, discovery is continuing, and the trial is scheduled for the first quarter of 2005.

*Product Liability Matters* In the event that use of the Company's products results in, or is alleged to result in, bodily injury and/or property damage or other losses, the Company may be subject to product liability lawsuits and other claims. In addition, the Company is a party to warranty-sharing and other agreements with its customers relating to its products. These customers may pursue claims against the Company for contribution of all or a portion of the amounts sought in connection with product liability and warranty claims. The Company can provide no assurances that it will not experience material claims in the future or that it will not incur significant costs to defend such claims. In addition, if any of the Company's products are, or are alleged to be, defective, the Company may be required or requested by its customers to participate in a recall or other corrective action involving such products. Certain of the Company's customers have asserted claims against the Company for costs related to recalls involving the Company's products. In certain instances, the allegedly defective products were supplied by Tier 2 suppliers against whom the Company has sought or will seek contribution. The Company believes that the overall net impact of these claims is not likely to be material, although no assurances can be given in this regard. 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 nine months ended October 2, 2004, is shown below (in millions):

Balance as of December 31, 2003	\$39.7
Expense, net	7.2
Settlements and other	<u>0.1</u>
Balance as of October 2, 2004	<u>\$47.0</u>

### *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.

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

As of October 2, 2004 and December 31, 2003, the Company had recorded reserves for environmental matters of \$6.7 million and \$4.8 million, respectively. While the Company does not believe that the environmental liabilities associated with its current and former properties will have a material adverse effect on its business, consolidated financial position or results of future operations, no assurances can be given in this regard.

One of the Company's subsidiaries and certain predecessor companies were named as defendants in an action filed by three plaintiffs in August 2001 in the Circuit Court of Lowndes County, Mississippi asserting claims stemming from alleged environmental contamination caused by an automobile parts manufacturing plant located in Columbus, Mississippi. The plant was acquired by the Company as part of the UT Automotive acquisition in May 1999 and sold almost immediately thereafter, in June 1999, to Johnson Electric Holdings Limited ("Johnson Electric"). In December 2002, approximately 61 additional cases were filed by approximately 1,000 plaintiffs in the same court against the Company and other defendants relating to similar claims. In September 2003, the Company was dismissed as a party to these cases. In the first half of 2004, the Company was named again as a defendant in these same 61 cases and was also named in five new actions filed by approximately 150 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 punitive damages. To date, there has been limited discovery in these cases and the probability of liability and the amount of damages in the event of liability are unknown. UTC, the former owner of UT Automotive, and Johnson Electric have each sought indemnification from the Company under the respective acquisition agreements, and the Company has claimed indemnification from them under the same agreements. To date, no company admits to, or has been found to have, an obligation to fully defend and indemnify any other. The Company intends to vigorously defend against these claims and believes that it will eventually be indemnified by either UTC or Johnson Electric for resulting losses, if any.

*Other Matters*

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

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

**(16) Segment Reporting**

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

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 and amortization. A summary of revenues from external customers and other financial information by reportable operating segment is shown below (in millions):



**LEAR CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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Three Months Ended October 2, 2004					
	Seating	Interior	Electronic and Electrical	Other	Consolidated
Revenues from external customers	\$2,592.7	\$ 665.0	\$ 640.1	\$ —	\$ 3,897.8
Income before interest, other expense and income taxes	167.3	8.2	41.3	(57.7)	159.1
Depreciation and amortization	30.6	27.2	25.0	5.5	88.3
Capital expenditures	40.8	18.4	25.1	6.8	91.1
Total assets	4,288.4	2,413.7	2,563.3	311.1	9,576.5

Three Months Ended September 27, 2003					
	Seating	Interior	Electronic and Electrical	Other	Consolidated
Revenues from external customers	\$2,340.4	\$ 655.5	\$ 495.6	\$ —	\$ 3,491.5
Income before interest, other expense and income taxes	157.7	14.3	43.8	(52.7)	163.1
Depreciation and amortization	30.6	28.0	16.6	7.4	82.6
Capital expenditures	24.2	21.0	21.0	10.7	76.9
Total assets	3,650.0	2,502.9	2,045.3	155.2	8,353.4

Nine Months Ended October 2, 2004					
	Seating	Interior	Electronic and Electrical	Other	Consolidated
Revenues from external customers	\$8,488.5	\$2,221.4	\$1,964.0	\$ —	\$12,673.9
Income before interest, other expense and income taxes	504.1	56.8	158.7	(168.4)	551.2
Depreciation and amortization	98.0	81.2	62.2	17.0	258.4
Capital expenditures	141.1	64.9	70.6	7.1	283.7
Total assets	4,288.4	2,413.7	2,563.3	311.1	9,576.5

Nine Months Ended September 27, 2003					
	Seating	Interior	Electronic and Electrical	Other	Consolidated
Revenues from external customers	\$7,861.9	\$2,048.1	\$1,581.4	\$ —	\$11,491.4
Income before interest, other expense and income taxes	473.4	66.2	146.6	(149.5)	536.7
Depreciation and amortization	96.0	80.3	50.6	7.8	234.7
Capital expenditures	54.9	78.7	65.1	15.5	214.2
Total assets	3,650.0	2,502.9	2,045.3	155.2	8,353.4

In 2004, the Company changed its allocation of goodwill. Goodwill, previously reflected in "Other," has been allocated to the reportable operating segments. Total assets by reportable operating segment as of September 27, 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		Nine Months Ended	
	October 2, 2004	September 27, 2003	October 2, 2004	September 27, 2003
Income before interest, other expense and income taxes	\$159.1	\$163.1	\$551.2	\$536.7
Interest expense	43.3	44.0	121.6	144.7
Other expense, net	10.0	13.4	38.9	40.6
Income before provision for income taxes	<u>\$105.8</u>	<u>\$105.7</u>	<u>\$390.7</u>	<u>\$351.4</u>

**LEAR CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**(17) Financial Instruments**

From time to time, certain of the Company's European subsidiaries factor their accounts receivable with financial institutions. Such receivables are factored without recourse to the Company and are not included in accounts receivable in the consolidated balance sheets. As of October 2, 2004, there were no factored accounts receivable. As of December 31, 2003, the amount of factored receivables was \$70.6 million.

*Asset-backed Securitization Agreement* Under an asset-backed securitization facility ("ABS facility"), the Company and several of its U.S. subsidiaries sell certain accounts receivable to a wholly-owned, consolidated, bankruptcy-remote special purpose corporation (Lear ASC Corporation). In turn, Lear ASC Corporation transfers undivided interests in up to \$200 million of the receivables to bank-sponsored commercial-paper conduits. In October 2004, the ABS facility was amended to extend the termination date to November 1, 2005. As of October 2, 2004 and December 31, 2003, accounts receivable totaling \$542.4 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 \$0.5 million was recognized in the three months ended October 2, 2004 and September 27, 2003, respectively, and \$1.3 million and \$2.0 million was recognized in the nine months ended October 2, 2004 and September 27, 2003, respectively. This discount is reflected in other expense, net in the accompanying consolidated statements of income.

The Company retains a subordinated ownership interest in the pool of receivables sold to Lear ASC Corporation. The Company continues to service the transferred receivables for an annual servicing fee. The conduit investors and Lear ASC Corporation have no recourse to the Company or its subsidiaries related to the sold receivables. The Company retains a risk of repayment to the extent of its subordinated ownership interest in the pool of sold receivables.

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

	Three Months Ended		Nine Months Ended	
	October 2, 2004	September 27, 2003	October 2, 2004	September 27, 2003
Repayments of securitizations	\$ —	\$ (23.1)	\$ —	\$ (138.5)
Proceeds from collections reinvested in securitizations	1,041.0	1,092.1	3,627.5	3,472.9
Servicing fees received	1.3	1.2	4.1	3.9

*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 October 2, 2004, contracts designated as fair value hedges with \$1.2 billion of notional amount were outstanding with maturities of less than six months. As of October 2, 2004, the fair market value of these contracts was approximately \$2.2 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 October 2, 2004, contracts designated as cash flow hedges with \$834.7 million of notional amount were outstanding with maturities of less than fifteen months. As of October 2, 2004, the fair market value of these contracts was approximately negative \$1.4 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 October 2, 2004, contracts representing \$600 million of notional amount were outstanding with maturity dates of May 2005 through May 2009. All of these contracts are designated as fair value hedges and modify the fixed rate characteristics of the Company's outstanding long-term debt with fixed coupons and maturities of 7.96% in May 2005 and 8.11% in May 2009. These contracts effectively convert the fixed

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

coupon liabilities into variable rate obligations with coupons of six-month LIBOR plus weighted average spreads of 6.08% and 4.58%, respectively. The effective cost of these contracts is six-month LIBOR plus 2.67% and 3.81%, respectively, including the impact of swap contract restructuring. The fair market value of all outstanding interest rate swap agreements is subject to changes in value due to changes in interest rates. As of October 2, 2004, the fair market value of all outstanding interest rate swap agreements was approximately negative \$9.4 million.

As of October 2, 2004 and December 31, 2003, net gains of approximately \$3.9 million and net losses of approximately \$13.7 million, respectively, related to derivative instruments and hedging activities were recorded in accumulated other comprehensive loss. Net losses of \$1.3 million and \$7.5 million in the three months ended October 2, 2004 and September 27, 2003, respectively, and \$4.8 million and \$20.1 million in the nine months ended October 2, 2004 and September 27, 2003, respectively, related to the Company's hedging activities were reclassified from accumulated other comprehensive loss into earnings. As of October 2, 2004, all cash flow hedges were scheduled to mature within fifteen months, all fair value hedges of the Company's fixed rate debt instruments were scheduled to mature within five 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 October 1, 2005, the Company expects to reclassify into earnings net gains of approximately \$4.5 million recorded in accumulated other comprehensive loss. Such gains will be reclassified at the time the underlying hedged transactions are realized. During the three and nine months ended October 2, 2004 and September 27, 2003, amounts recognized in the consolidated statements of income related to changes in the fair market value of cash flow and fair value hedges excluded from the effectiveness assessments and the ineffective portion of changes in the fair market 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 October 2, 2004, the amount recorded in cumulative translation adjustment related to the effective portion of the net investment hedge of foreign operations was approximately negative \$85.4 million.

**(18) 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**  
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**(19) Supplemental Guarantor Condensed Consolidating Financial Statements**

October 2, 2004

	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
(Unaudited; in millions)					
<b>ASSETS</b>					
<i>CURRENT ASSETS:</i>					
Cash and cash equivalents	\$ 384.1	\$ 1.6	\$ 115.9	\$ —	\$ 501.6
Accounts receivable	58.4	366.6	2,091.2	—	2,516.2
Inventories	19.7	209.2	454.9	—	683.8
Recoverable customer engineering and tooling	33.9	96.7	40.5	—	171.1
Other	86.7	80.7	157.5	—	324.9
Total current assets	582.8	754.8	2,860.0	—	4,197.6
<i>LONG-TERM ASSETS:</i>					
Property, plant and equipment, net	163.3	738.0	1,029.1	—	1,930.4
Goodwill, net	100.3	1,906.7	961.1	—	2,968.1
Investments in subsidiaries	3,668.9	2,351.2	—	(6,020.1)	—
Other	109.0	65.7	305.7	—	480.4
Total long-term assets	4,041.5	5,061.6	2,295.9	(6,020.1)	5,378.9
	<u>\$4,624.3</u>	<u>\$5,816.4</u>	<u>\$5,155.9</u>	<u>\$(6,020.1)</u>	<u>\$9,576.5</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
<i>CURRENT LIABILITIES:</i>					
Short-term borrowings	\$ —	\$ —	\$ 24.1	\$ —	\$ 24.1
Accounts payable and drafts	215.8	779.1	1,619.5	—	2,614.4
Accrued liabilities	170.3	360.4	720.0	—	1,250.7
Current portion of long-term debt	603.9	2.0	6.7	—	612.6
Total current liabilities	990.0	1,141.5	2,370.3	—	4,501.8
<i>LONG-TERM LIABILITIES:</i>					
Long-term debt	1,819.1	12.1	22.9	—	1,854.1
Intercompany accounts, net	(952.5)	1,711.4	(758.9)	—	—
Other	255.1	183.9	269.0	—	708.0
Total long-term liabilities	1,121.7	1,907.4	(467.0)	—	2,562.1
<i>STOCKHOLDERS' EQUITY</i>	2,512.6	2,767.5	3,252.6	(6,020.1)	2,512.6
	<u>\$4,624.3</u>	<u>\$5,816.4</u>	<u>\$5,155.9</u>	<u>\$(6,020.1)</u>	<u>\$9,576.5</u>

**LEAR CORPORATION AND SUBSIDIARIES**  
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**(19) Supplemental Guarantor Condensed Consolidating Financial Statements – (continued)**

December 31, 2003

	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
(In millions)					
<b>ASSETS</b>					
<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	2,071.9	—	(5,392.3)	—
Other	96.9	70.4	270.4	—	437.7
Total long-term assets	<u>3,644.9</u>	<u>4,814.8</u>	<u>2,128.2</u>	<u>(5,392.3)</u>	<u>5,195.6</u>
	<u>\$ 3,800.1</u>	<u>\$5,487.8</u>	<u>\$4,675.4</u>	<u>\$(5,392.3)</u>	<u>\$8,571.0</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
<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>2,666.9</u>	<u>2,725.4</u>	<u>(5,392.3)</u>	<u>2,257.5</u>
	<u>\$ 3,800.1</u>	<u>\$5,487.8</u>	<u>\$4,675.4</u>	<u>\$(5,392.3)</u>	<u>\$8,571.0</u>

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

**(19) Supplemental Guarantor Condensed Consolidating Financial Statements – (continued)**

For the Three Months Ended October 2, 2004

	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
	(Unaudited; in millions)				
Net sales	\$ 282.3	\$1,658.6	\$2,584.6	\$(627.7)	\$3,897.8
Cost of sales	299.3	1,509.9	2,396.1	(627.7)	3,577.6
Selling, general and administrative expenses	38.6	38.6	83.9	—	161.1
Interest expense	8.3	26.5	8.5	—	43.3
Intercompany (income) expense, net	(82.5)	80.3	2.2	—	—
Other expense, net	1.6	6.8	1.6	—	10.0
Income (loss) before provision (credit) for income taxes and equity in net income of subsidiaries	17.0	(3.5)	92.3	—	105.8
Provision (credit) for income taxes	(14.1)	7.6	20.6	—	14.1
Equity in net income of subsidiaries	(60.6)	(24.6)	—	85.2	—
Net income	<u>\$ 91.7</u>	<u>\$ 13.5</u>	<u>\$ 71.7</u>	<u>\$ (85.2)</u>	<u>\$ 91.7</u>

For the Three Months Ended September 27, 2003

	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
	(Unaudited; in millions)				
Net sales	\$ 231.0	\$1,738.0	\$2,064.4	\$(541.9)	\$3,491.5
Cost of sales	236.1	1,561.6	1,932.0	(541.9)	3,187.8
Selling, general and administrative expenses	31.5	52.2	56.9	—	140.6
Interest expense	16.1	20.1	7.8	—	44.0
Intercompany (income) expense, net	(128.9)	82.8	46.1	—	—
Other (income) expense, net	(1.4)	8.9	5.9	—	13.4
Income before provision (credit) for income taxes and equity in net income of subsidiaries	77.6	12.4	15.7	—	105.7
Provision (credit) for income taxes	11.0	21.9	(3.3)	—	29.6
Equity in net income of subsidiaries	(9.5)	(11.3)	—	20.8	—
Net income	<u>\$ 76.1</u>	<u>\$ 1.8</u>	<u>\$ 19.0</u>	<u>\$ (20.8)</u>	<u>\$ 76.1</u>

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

**(19) Supplemental Guarantor Condensed Consolidating Financial Statements – (continued)**

For the Nine Months Ended October 2, 2004

	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
			(Unaudited; in millions)		
Net sales	\$ 794.6	\$5,707.2	\$8,157.6	\$(1,985.5)	\$12,673.9
Cost of sales	866.0	5,184.5	7,570.2	(1,985.5)	11,635.2
Selling, general and administrative expenses	119.7	143.5	224.3	—	487.5
Interest expense	10.8	84.1	26.7	—	121.6
Intercompany (income) expense, net	(254.3)	269.0	(14.7)	—	—
Other (income) expense, net	(16.0)	17.6	37.3	—	38.9
Income before provision (credit) for income taxes and equity in net income of subsidiaries	68.4	8.5	313.8	—	390.7
Provision (credit) for income taxes	(14.3)	32.7	73.1	—	91.5
Equity in net income of subsidiaries	(216.5)	(128.8)	—	345.3	—
Net income	<u>\$ 299.2</u>	<u>\$ 104.6</u>	<u>\$ 240.7</u>	<u>\$ (345.3)</u>	<u>\$ 299.2</u>

For the Nine Months Ended September 27, 2003

	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
			(Unaudited; in millions)		
Net sales	\$ 769.9	\$5,764.5	\$6,735.6	\$(1,778.6)	\$11,491.4
Cost of sales	774.7	5,198.9	6,330.9	(1,778.6)	10,525.9
Selling, general and administrative expenses	98.0	142.9	187.9	—	428.8
Interest expense	54.0	50.5	40.2	—	144.7
Intercompany (income) expense, net	(322.3)	258.9	63.4	—	—
Other expense, net	1.4	28.4	10.8	—	40.6
Income before provision (credit) for income taxes and equity in net income of subsidiaries	164.1	84.9	102.4	—	351.4
Provision (credit) for income taxes	27.5	91.6	(15.8)	—	103.3
Equity in net income of subsidiaries	(111.5)	(79.1)	—	190.6	—
Net income	<u>\$ 248.1</u>	<u>\$ 72.4</u>	<u>\$ 118.2</u>	<u>\$ (190.6)</u>	<u>\$ 248.1</u>

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

**(19) Supplemental Guarantor Condensed Consolidating Financial Statements – (continued)**

For the Nine Months Ended October 2, 2004					
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
	(Unaudited; in millions)				
Net cash provided by operating activities	\$ 144.7	\$ 11.7	\$ 287.6	\$—	\$ 444.0
<b>Cash Flows from Investing Activities:</b>					
Additions to property, plant and equipment	(54.5)	(93.6)	(135.6)	—	(283.7)
Cost of acquisitions, net of cash acquired	(12.3)	(3.3)	(81.9)	—	(97.5)
Other, net	8.4	11.0	14.6	—	34.0
Net cash used in investing activities	(58.4)	(85.9)	(202.9)	—	(347.2)
<b>Cash Flows from Financing Activities:</b>					
Issuance of senior notes	399.2	—	—	—	399.2
Long-term debt repayments, net	(7.5)	—	(44.0)	—	(51.5)
Short-term debt repayments, net	(0.3)	(0.1)	(36.6)	—	(37.0)
Dividends paid	(54.6)	—	—	—	(54.6)
Proceeds from exercise of stock options	20.1	—	—	—	20.1
Repurchase of common stock	(50.6)	—	—	—	(50.6)
Increase in drafts	8.1	(4.6)	0.1	—	3.6
Change in intercompany accounts	(57.5)	70.2	(12.7)	—	—
Net cash provided by financing activities	256.9	65.5	(93.2)	—	229.2
Effect of foreign currency translation	—	0.6	5.7	—	6.3
<b>Net Change in Cash and Cash Equivalents</b>	343.2	(8.1)	(2.8)	—	332.3
<b>Cash and Cash Equivalents as of Beginning of Period</b>	40.9	9.7	118.7	—	169.3
<b>Cash and Cash Equivalents as of End of Period</b>	<u>\$ 384.1</u>	<u>\$ 1.6</u>	<u>\$ 115.9</u>	<u>\$—</u>	<u>\$ 501.6</u>

For the Nine Months Ended September 27, 2003					
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
	(Unaudited; in millions)				
Net cash provided by operating activities	\$ 252.7	\$118.9	\$ (12.0)	\$—	\$ 359.6
<b>Cash Flows from Investing Activities:</b>					
Additions to property, plant and equipment	(20.3)	(72.3)	(121.6)	—	(214.2)
Cost of acquisitions, net of cash acquired	(1.8)	—	(10.6)	—	(12.4)
Other, net	—	9.6	21.9	—	31.5
Net cash used in investing activities	(22.1)	(62.7)	(110.3)	—	(195.1)
<b>Cash Flows from Financing Activities:</b>					
Long-term debt repayments, net	(121.9)	2.2	(6.4)	—	(126.1)
Short-term debt repayments, net	(4.5)	—	(23.9)	—	(28.4)
Proceeds from exercise of stock options	42.5	—	—	—	42.5
Repurchase of common stock	(1.1)	—	—	—	(1.1)
Decrease in drafts	(27.5)	7.7	(13.7)	—	(33.5)
Change in intercompany accounts	(118.2)	(45.2)	163.4	—	—
Net cash used in financing activities	(230.7)	(35.3)	119.4	—	(146.6)
Effect of foreign currency translation	—	(16.8)	9.7	—	(7.1)
<b>Net Change in Cash and Cash Equivalents</b>	(0.1)	4.1	6.8	—	10.8
<b>Cash and Cash Equivalents as of Beginning of Period</b>	0.5	3.0	88.2	—	91.7
<b>Cash and Cash Equivalents as of End of Period</b>	<u>\$ 0.4</u>	<u>\$ 7.1</u>	<u>\$ 95.0</u>	<u>\$—</u>	<u>\$ 102.5</u>



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

**(19) Supplemental Guarantor Condensed Consolidating Financial Statements – (continued)**

Basis of Presentation — Certain of the Company's 100%-owned subsidiaries (the "Guarantors") have unconditionally fully guaranteed, on a joint and several basis, the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all of the Company's obligations under the primary credit facility and the indentures governing the Company's senior notes, including the Company's obligations to pay principal, premium, if any, and interest with respect to the senior notes. The senior notes consist of \$600 million aggregate principal amount of 7.96% senior notes due May 15, 2005, \$800 million aggregate principal amount of 8.11% senior notes due May 15, 2009, Euro 250 million aggregate principal amount of 8.125% senior notes due 2008, \$640 million aggregate principal amount at maturity of zero-coupon convertible senior notes due 2022 and \$400 million aggregate principal amount of 5.75% senior notes due August 1, 2014. The Guarantors under the indentures are currently Lear Operations Corporation, Lear Seating Holdings Corp. #50, Lear Corporation EEDS and Interiors, Lear Technologies, L.L.C., Lear Midwest Automotive, Limited Partnership, Lear Automotive (EEDS) Spain S.L. and Lear Corporation Mexico, S.A. de C.V. In lieu of providing separate unaudited financial statements for the Guarantors, the Company has included the unaudited supplemental guarantor condensed consolidating financial statements above. Management does not believe that separate financial statements of the Guarantors are material to investors. Therefore, separate financial statements and other disclosures concerning the Guarantors are not presented.

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

Selling, General and Administrative Expenses — The Parent allocated \$32.3 million and \$24.1 million in the three months ended October 2, 2004 and September 27, 2003, respectively, and \$76.0 million and \$70.0 million in the nine months ended October 2, 2004 and September 27, 2003, respectively, of corporate selling, general and administrative expenses to its operating subsidiaries. The allocations were based on various factors, which estimate usage of particular corporate functions, and in certain instances, other relevant factors, such as the revenues or the number of employees of the Company's subsidiaries.

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

	October 2, 2004	December 31, 2003
Senior notes	\$2,390.4	\$1,987.0
Other long-term debt	46.7	54.4
	2,437.1	2,041.4
Less — current portion	(605.9)	(1.6)
	<u>\$1,831.2</u>	<u>\$2,039.8</u>

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

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

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

### EXECUTIVE OVERVIEW

We are one of the world’s largest automotive interior systems suppliers 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, a compound annual growth rate of 12%. 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. We supply every major automotive manufacturer in the world, including General Motors, Ford, DaimlerChrysler, BMW, Fiat, PSA, Volkswagen, Renault-Nissan, Toyota, Subaru, Porsche and Hyundai.

We have capabilities in all five principal segments of the automotive interior market: seat systems; flooring and acoustic systems; door panels; instrument panels and cockpit systems; and overhead systems. We are also one of the leading global suppliers of automotive electronic products and electrical distribution systems. As a result of these capabilities, we can offer our customers fully-integrated automotive interiors, including electronic products and electrical distribution systems. In 2002, we were awarded the first-ever total interior integrator program by General Motors for the 2006 Buick Lucerne and Cadillac DTS 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 also significantly impacted by what is referred to in this section as “vehicle production volume and mix”; that is, overall industry production, the commercial success of the vehicle platforms for which we supply products as well as our relative profitability on these platforms. In addition, our two largest customers, General Motors and Ford and their respective affiliates, together accounted for approximately 59% of our net sales in 2003. Excluding Opel, Saab, Volvo, Jaguar and Land Rover, which are affiliates of General Motors or Ford, General Motors and Ford accounted for approximately 47% of our net sales in 2003. A significant loss of business with respect to any vehicle model for which we are a significant supplier could materially and negatively affect our operating results.

Automotive industry conditions in North America and Europe continue to be challenging. In North America, the industry is characterized by significant overcapacity, fierce competition and significant pension and healthcare liabilities for the domestic automakers. In addition, the domestic automakers have recently announced production cuts which impact several of our key platforms. In Europe, the market structure is highly fragmented with significant overcapacity and several of our key platforms have experienced production declines. 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 automotive manufacturers worldwide and leverage our existing European customer base across all product lines.

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 achieve product cost reductions, including cost reductions from our suppliers. 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.

Increases in certain raw material or commodity costs, such as steel, resins and diesel fuel, have negatively impacted our operating results in the first nine months of 2004, and we expect them to have a significant impact on our profitability in the remainder of 2004 and in 2005. We have developed strategies to mitigate the impact, which include aggressive cost reduction actions, the selective in-sourcing of components where we have available capacity, the continued consolidation of our supply base and the acceleration of low-cost country sourcing and engineering. In addition, the sharing of increased raw material costs has been, or will be, the subject of negotiations with our suppliers and our customers. While we believe that our mitigation efforts will offset a substantial portion of the financial impact of increased commodity costs, no assurances can be given that the magnitude and duration of these cost increases will not have a material impact on our future operating results. See “— Forward-Looking Statements.”

In evaluating our financial condition and operating performance, we focus primarily on profitable sales growth and cash flows, as well as return on invested capital on a consolidated basis. In addition to maintaining and expanding our business with our existing

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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 twelve joint ventures in China and several other joint ventures dedicated to serving Asian automotive manufacturers. We will continue to seek ways to expand our business in Eastern European and Asian markets and with Asian automotive manufacturers worldwide.

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 this regard, changes in customer payment terms are expected to have a negative impact on our reported cash flows through 2005. In addition, our cash flow is dependent on our ability to efficiently manage our capital spending. 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				Nine Months Ended			
	October 2, 2004		September 27, 2003		October 2, 2004		September 27, 2003	
Net sales								
Seating	\$ 2,592.7	66.5%	\$ 2,340.4	67.0%	\$ 8,488.5	67.0%	\$ 7,861.9	68.4%
Interiors	665.0	17.1	655.5	18.8	2,221.4	17.5	2,048.1	17.8
Electronic and electrical	640.1	16.4	495.6	14.2	1,964.0	15.5	1,581.4	13.8
Net sales	3,897.8	100.0	3,491.5	100.0	12,673.9	100.0	11,491.4	100.0
Gross profit	320.2	8.2	303.7	8.7	1,038.7	8.2	965.5	8.4
Selling, general and administrative expenses	161.1	4.1	140.6	4.0	487.5	3.8	428.8	3.7
Interest expense	43.3	1.1	44.0	1.3	121.6	1.0	144.7	1.3
Other expense, net	10.0	0.2	13.4	0.4	38.9	0.3	40.6	0.3
Provision for income taxes	14.1	0.4	29.6	0.8	91.5	0.7	103.3	0.9
Net income	\$ 91.7	2.4%	\$ 76.1	2.2%	\$ 299.2	2.4%	\$ 248.1	2.2%

**Three Months Ended October 2, 2004 vs. Three Months Ended September 27, 2003**

Net sales in the third quarter of 2004 were \$3.9 billion as compared to \$3.5 billion in the third quarter of 2003, an increase of \$406 million or 12%. New business, net of selling price reductions, net foreign exchange rate fluctuations and the net impact of our acquisitions and divestitures increased net sales by \$283 million, \$142 million and \$103 million, respectively. These increases were partially offset by the impact of unfavorable vehicle production mix, which negatively impacted net sales by \$140 million.

Gross profit and gross margin were \$320 million and 8.2% in the quarter ended October 2, 2004, as compared to \$304 million and 8.7% in the quarter ended September 27, 2003. The benefit from our productivity initiatives and other efficiencies and new business contributed \$105 million and \$24 million, respectively, to the increase in gross profit. Gross profit also benefited from the impact of our recent terminals and connectors acquisition and net foreign exchange rate fluctuations. Gross profit was negatively affected by the impact of selling price reductions, which, collectively with the impact of vehicle production volume and mix, reduced gross profit by \$104 million. To a lesser extent, gross profit was also negatively affected by increased raw material costs.

Selling, general and administrative expenses, including research and development, were \$161 million in the three months ended October 2, 2004, as compared to \$141 million in the three months ended September 27, 2003. As a percentage of net sales, selling, general and administrative expenses were 4.1% and 4.0% in the third quarters of 2004 and 2003, respectively. Our terminals and

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connectors acquisition, our incremental investment in new programs and net foreign exchange rate fluctuations contributed \$10 million, \$6 million and \$4 million, respectively, to the increase in selling, general and administrative expenses in the third quarter of 2004.

Interest expense was \$43 million in the third quarter of 2004 as compared to \$44 million in the third quarter of 2003. The favorable impact of our interest rate hedging activities was offset by the impact of our issuance of \$400 million aggregate principal amount of unsecured 5.75% senior notes due 2014 and the financing of our terminals and connectors acquisition.

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 \$10 million and \$13 million in the quarters ended October 2, 2004 and September 27, 2003, respectively. A decrease in foreign exchange losses was partially offset by a decrease in equity in net income of affiliates.

The provision for income taxes was \$14 million, representing an effective tax rate of 13.3%, in the current quarter as compared to \$30 million, representing an effective tax rate of 28.0%, in the same quarter a year ago. The current quarter tax provision includes the benefit from a favorable tax settlement related to prior years' tax return matters, which reduced the effective tax rate by 14.5%. Excluding the impact of this settlement, the effective tax rate for the third quarter of 2004 and 2003 approximated the U.S. federal statutory income tax rate of 35% adjusted for income taxes on foreign earnings, losses and remittances, valuation adjustments, research and development credits and other items.

Net income in the third quarter of 2004 was \$92 million, or \$1.32 per diluted share, as compared to \$76 million, or \$1.10 per diluted share, in the third quarter of 2003. The improvement was primarily the result of the impact of the favorable tax settlement described above.

**Reportable Operating Segments**

The financial information presented below is for our three reportable operating segments for the periods presented. These segments are: seating, which includes seat systems and the components thereof; interior, which includes flooring and acoustic systems, door panels, instrument panels and cockpit systems, overhead systems and other interior products; and electronic and electrical, which includes electronic products and electrical distribution systems, primarily wire harnesses and junction boxes; interior control and entertainment systems; and wireless systems. Financial measures regarding each segment's income before interest, other expense and income taxes and income before interest, other expense and income taxes divided by net sales ("margin") are not measures of performance under accounting principles generally accepted in the United States ("GAAP"). Such measures are presented because we evaluate the performance of our reportable operating segments, in part, based on income before interest, other expense and income taxes. These measures should not be considered in isolation or as a substitute for net income, net cash provided by operating activities or other income statement or cash flow statement data prepared in accordance with GAAP or as measures of profitability or liquidity. In addition, these measures, as we determine them, may not be comparable to related or similarly titled measures reported by other companies. For a reconciliation of consolidated income before interest, other expense and income taxes to income before provision for income taxes, see Note 16, "Segment Reporting."

**Seating**

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

	Three months ended	
	October 2, 2004	September 27, 2003
Net sales	\$2,592.7	\$2,340.4
Income before interest, other expense and income taxes	167.3	157.7
Margin	6.5%	6.7%

Seating net sales were \$2.6 billion in the third quarter of 2004 as compared to \$2.3 billion in the third quarter of 2003, an increase of \$252 million or 10.8%. New business, net of selling price reductions, net foreign exchange rate fluctuations and the impact of a seating acquisition in Korea, favorably impacted net sales by \$198 million, \$95 million and \$29 million, respectively. These increases were partially offset by the impact of vehicle production volume and mix, which reduced net sales by \$70 million. Income before interest, other expense and income taxes and the related margin on net sales were \$167 million and 6.5% in the three months ended October 2, 2004, as compared to \$158 million and 6.7% in the three months ended September 27, 2003. The benefit of our productivity initiatives and other efficiencies contributed \$71 million to the increase. Income before interest, other expense and

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income taxes also benefited from new business. The increase was largely offset by the impact of selling price reductions, unfavorable vehicle production volume and mix and increased raw material costs.

**Interior**

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

	<b>Three months ended</b>	
	<b>October 2, 2004</b>	<b>September 27, 2003</b>
Net sales	\$665.0	\$655.5
Income before interest, other expense and income taxes	8.2	14.3
Margin	1.2%	2.2%

Interior net sales were \$665 million in the third quarter of 2004 as compared to \$656 million in the third quarter of 2003, an increase of \$10 million or 1%. New business, net of selling price reductions, and net foreign exchange rate fluctuations favorably impacted net sales by \$44 million and \$18 million, respectively. These increases were partially offset by the impact of vehicle production volume and mix and our divestitures, which decreased net sales by \$43 million and \$9 million, respectively. Income before interest, other expense and income taxes and the related margin on net sales were \$8 million and 1.2% in the three months ended October 2, 2004, as compared to \$14 million and 2.2% in the three months ended September 27, 2003. The declines in income before interest, other expense and income taxes and the related margin were primarily the result of selling price reductions, unfavorable vehicle production volume and mix and increased raw material costs, partially offset by the impact of productivity initiatives and other efficiencies, as well as new business.

**Electronic and Electrical**

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

	<b>Three months ended</b>	
	<b>October 2, 2004</b>	<b>September 27, 2003</b>
Net sales	\$640.1	\$495.6
Income before interest, other expense and income taxes	41.3	43.8
Margin	6.5%	8.8%

Electronic and electrical net sales were \$640 million in the third quarter of 2004 as compared to \$496 million in the third quarter of 2003, an increase of \$145 million or 29%. The impact of our recent terminals and connectors acquisition, new business, net of selling price reductions, and net foreign exchange rate fluctuations favorably impacted net sales by \$83 million, \$41 million and \$29 million, respectively. Income before interest, other expense and income taxes and the related margin on net sales were \$41 million and 6.5% in the three months ended October 2, 2004, as compared to \$44 million and 8.8% in the three months ended September 27, 2003. Income before interest, other expense and income taxes benefited from the impact of vehicle production volume and mix and new business. The increase was more than offset by the impact of selling price reductions and increased raw material costs. The decline in the related margin on net sales was primarily due to the impact of selling price reductions.

**Nine Months Ended October 2, 2004 vs. Nine Months Ended September 27, 2003**

Net sales in the first nine months of 2004 were \$12.7 billion as compared to \$11.5 billion in the first nine months of 2003, an increase of \$1.2 billion or 10%. New business, net of selling price reductions, net foreign exchange rate fluctuations and the impact of vehicle production volume increased net sales by \$679 million, \$573 million and \$248 million, respectively. Net sales also benefited from the net impact of our acquisitions and divestitures, which contributed \$110 million to the increase. These increases were partially offset by the impact of unfavorable vehicle production mix, which negatively impacted net sales by \$427 million.

Gross profit and gross margin were \$1,039 million and 8.2% in the nine months ended October 2, 2004, as compared to \$966 million and 8.4% in the nine months ended September 27, 2003. The benefit from our productivity initiatives and other efficiencies, net of costs associated with facility closures and similar actions, and new business contributed \$198 million and \$74 million, respectively, to the increase in gross profit. Gross profit also benefited from the impact of net foreign exchange rate fluctuations and our recent terminals and connectors acquisition. Gross profit was negatively affected by the net impact of customer and supplier commercial settlements, including selling price reductions, which, collectively with the impact of vehicle production volume and mix, reduced gross profit by \$209 million. To a lesser extent, gross profit was also negatively affected by increased raw material costs.

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Selling, general and administrative expenses, including research and development, were \$488 million in the nine months ended October 2, 2004, as compared to \$429 million in the nine months ended September 27, 2003. As a percentage of net sales, selling, general and administrative expenses were 3.8% and 3.7% in the first nine months of 2004 and 2003, respectively. Our incremental investment in new programs, net foreign exchange rate fluctuations and the impact of our terminals and connectors acquisition contributed \$29 million, \$17 million and \$10 million, respectively, to the increase in selling, general and administrative expenses in the first nine months of 2004.

Interest expense was \$122 million in the first nine months of 2004 as compared to \$145 million in the first nine months of 2003. Our interest rate hedging activities and our reduced average debt balances outstanding during the periods favorably impacted interest expense by \$19 million and \$5 million, respectively.

Other expense, which includes state and local non-income taxes, foreign exchange gains and losses, minority interests in consolidated subsidiaries, equity in net income of affiliates, gains and losses on the sales of fixed assets and other miscellaneous income and expense, was \$39 million in the nine months ended October 2, 2004, as compared to \$41 million in the nine months ended September 27, 2003. An increase in state and local non-income taxes was offset by a decrease in losses on the sales of fixed assets.

The provision for income taxes was \$92 million, representing an effective tax rate of 23.4%, in the current period as compared to \$103 million, representing an effective tax rate of 29.4%, in the same period a year ago. The current period tax provision includes the benefit from a favorable tax settlement related to prior years' tax return matters, which reduced the effective tax rate by 3.9%. Excluding the impact of this settlement, the effective tax rate for the first nine months of 2004 and 2003 approximated the U.S. federal statutory income tax rate of 35% adjusted for income taxes on foreign earnings, losses and remittances, valuation adjustments, research and development credits and other items.

Net income in the first nine months of 2004 was \$299 million, or \$4.26 per diluted share, as compared to \$248 million, or \$3.65 per diluted share, in the first nine months of 2003. The improvement includes the impact of the favorable tax settlement described above.

*Reportable Operating Segments*

The financial information presented below is for our three reportable operating segments for the periods presented. These segments are: seating, which includes seat systems and the components thereof; interior, which includes flooring and acoustic systems, door panels, instrument panels and cockpit systems, overhead systems and other interior products; and electronic and electrical, which includes electronic products and electrical distribution systems, primarily wire harnesses and junction boxes; interior control and entertainment systems; and wireless systems. Financial measures regarding each segment's income before interest, other expense and income taxes and income before interest, other expense and income taxes divided by net sales ("margin") are not measures of performance under accounting principles generally accepted in the United States ("GAAP"). Such measures are presented because we evaluate the performance of our reportable operating segments, in part, based on income before interest, other expense and income taxes. These measures should not be considered in isolation or as a substitute for net income, net cash provided by operating activities or other income statement or cash flow statement data prepared in accordance with GAAP or as measures of profitability or liquidity. In addition, these measures, as we determine them, may not be comparable to related or similarly titled measures reported by other companies. For a reconciliation of consolidated income before interest, other expense and income taxes to income before provision for income taxes, see Note 16, "Segment Reporting."

*Seating*

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

	Nine months ended	
	October 2, 2004	September 27, 2003
Net sales	\$8,488.5	\$7,861.9
Income before interest, other expense and income taxes	504.1	473.4
Margin	5.9%	6.0%

Seating net sales were \$8.5 billion in the first nine months of 2004 as compared to \$7.9 billion in the first nine months of 2003, an increase of \$627 million or 8%. Net foreign exchange rate fluctuations, new business, net of selling price reductions, and the impact of a seating acquisition in Korea, favorably impacted net sales by \$406 million, \$329 million and \$66 million, respectively. These

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increases were partially offset by the impact of vehicle production volume and mix, which reduced net sales by \$171 million. Income before interest, other expense and income taxes and the related margin on net sales were \$504 million and 5.9% in the nine months ended October 2, 2004, as compared to \$473 million and 6.0% in the nine months ended September 27, 2003. The benefit of our productivity initiatives and other efficiencies, net of costs associated with facility closures and similar actions, and net foreign exchange rate fluctuations contributed \$104 million and \$11 million, respectively, to the increase. Income before interest, other expense and income taxes also benefited from new business. The increase was partially offset by the net impact of customer and supplier commercial settlements, including selling price reductions, unfavorable vehicle production volume and mix and increased raw material costs.

**Interior**

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

	Nine months ended	
	October 2, 2004	September 27, 2003
Net sales	\$2,221.4	\$2,048.1
Income before interest, other expense and income taxes	56.8	66.2
Margin	2.6%	3.2%

Interior net sales were \$2.2 billion in the first nine months of 2004 as compared to \$2.0 billion in the first nine months of 2003, an increase of \$173 million or 8%. New business, net of selling price reductions, and net foreign exchange rate fluctuations favorably impacted net sales by \$148 million and \$71 million, respectively. These increases were partially offset by the impact of our divestitures and vehicle production volume and mix, which decreased net sales by \$35 million and \$10 million, respectively. Income before interest, other expense and income taxes and the related margin on net sales were \$57 million and 2.6% in the nine months ended October 2, 2004, as compared to \$66 million and 3.2% in the nine months ended September 27, 2003. The declines in income before interest, other expense and income taxes and the related margin were primarily the result of selling price reductions, unfavorable vehicle production volume and mix and increased raw material costs, partially offset by the impact of productivity initiatives and other efficiencies, as well as new business.

**Electronic and Electrical**

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

	Nine months ended	
	October 2, 2004	September 27, 2003
Net sales	\$1,964.0	\$1,581.4
Income before interest, other expense and income taxes	158.7	146.6
Margin	8.1%	9.3%

Electronic and electrical net sales were \$2.0 billion in the first nine months of 2004 as compared to \$1.6 billion in the first nine months of 2003, an increase of \$383 million or 24%. New business, net of selling price reductions, net foreign exchange rate fluctuations and the impact of our recent terminals and connectors acquisition favorably impacted net sales by \$202 million, \$96 million and \$83 million, respectively. Income before interest, other expense and income taxes and the related margin on net sales were \$159 million and 8.1% in the nine months ended October 2, 2004, as compared to \$147 million and 9.3% in the nine months ended September 27, 2003. The benefit of our productivity initiatives and other efficiencies, net of costs associated with facility closures and similar actions, contributed \$10 million to the increase. Income before interest, other expense and income taxes also benefited from the impact of vehicle production volume and mix and new business. The increase was partially offset by the impact of selling price reductions and increased raw material costs. The decline in the related margin on net sales was primarily due to the impact of selling price reductions, partially offset by the benefit of our productivity initiatives and other efficiencies.

**Facility Actions**

We continually evaluate alternatives to align our business with the changing needs of our customers and to lower the operating costs of our Company. This may include the realignment of our existing manufacturing capacity, facility closures or similar actions. In addition to these actions undertaken in the normal course of business, we initiated significant actions affecting two of our U.S. seating facilities in December 2003. As a result of these actions, we recorded charges of \$26 million for employee termination

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benefits and asset impairments in 2003. These actions were completed in the second quarter of 2004. Of the total costs associated with these facility actions, approximately \$33 million related to employee termination benefits and asset impairment charges.

### Acquisition

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

The Grote & Hartmann acquisition was accounted for as a purchase, and accordingly, the assets purchased and liabilities assumed are included in the consolidated balance sheet as of October 2, 2004. The operating results of Grote & Hartmann are included in the consolidated financial statements since the date of acquisition. See “ — Forward-Looking Statements.”

### LIQUIDITY AND CAPITAL RESOURCES

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

### Cash Flow

Cash flows from operating activities generated \$444 million of cash during the first nine months of 2004 as compared to \$360 million of cash during the first nine months of 2003. The net change in sold accounts receivable, which resulted in a \$121 million improvement in operating cash flows between periods, and a \$51 million increase in net income were partially offset by the net change in working capital and the net change in recoverable customer engineering and tooling, which collectively resulted in a \$107 million decrease in operating cash flows between periods. Increases in accounts receivable and accounts payable were a use of \$222 million and a source of \$160 million of cash, respectively, in the first nine months of 2004, reflecting our increased sales and the timing of payments received from our customers and made to our suppliers. Increases in inventories were a use of \$90 million of cash reflecting our increased sales and the timing of our new product launches. Other current assets and accrued liabilities were a source of \$90 million of cash in the first nine months of 2004, primarily as a result of the timing of commercial settlements, domestic and foreign tax payments and payroll-related payments.

Cash flows used in investing activities were \$347 million in the first nine months of 2004 as compared to \$195 million in the first nine months of 2003. This increase is primarily due to cash paid related to the acquisition of Grote & Hartmann of \$74 million, as well as a \$70 million increase in capital expenditures between periods.

In the first nine months of 2004, our financing activities were a source of \$229 million of cash as compared to a use of \$147 million in the first nine months of 2003, primarily as a result of our issuance of \$400 million aggregate principal amount of 5.75% senior notes due 2014. We expect to use the net proceeds of this offering for general corporate purposes, including, without limitation, the repayment or repurchase of a portion of our 7.96% senior notes due 2005. Net repayments of our short-term and long-term debt were \$89 million in the first nine months of 2004 as compared to \$155 million in the first nine months of 2003. These changes were partially offset by dividend payments of \$55 million and the repurchase of common stock of \$51 million in the first nine months of 2004.

### Capitalization

In addition to cash provided by operating activities, we utilize a combination of a committed credit facility and long-term notes to fund our capital expenditures and working capital requirements. For the nine months ended October 2, 2004 and September 27, 2003, our average outstanding long-term debt balance was \$2.2 billion and \$2.1 billion, respectively. The weighted average long-term interest rate, including rates under our committed credit facility and the effect of hedging activities, was 6.2% and 6.7% for the respective periods.

We utilize uncommitted lines of credit as needed for our short-term working capital requirements. For the nine months ended October 2, 2004 and September 27, 2003, our average outstanding unsecured short-term debt balance was \$14 million and \$42



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million, respectively. The weighted average interest rate, including the effect of hedging activities, was 2.6% and 4.2% for the respective periods.

### *Primary Credit Facility*

As of October 2, 2004, our primary credit facility consisted of a \$1.7 billion amended and restated credit facility, which matures on March 26, 2006. Our \$250 million revolving credit facility matured on May 4, 2004. As of October 2, 2004, we had no borrowings outstanding under our primary credit facility and \$45 million committed under outstanding letters of credit, resulting in more than \$1.6 billion of unused availability under our primary credit facility.

Our primary credit facility contains operating and financial covenants that, among other things, could limit our ability to obtain additional sources of capital. As of October 2, 2004, we were in compliance with all covenants and other requirements set forth in our primary credit facility.

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

### *Senior Notes*

As of October 2, 2004, we had \$2.5 billion of debt, including short-term borrowings, consisting primarily of \$399 million of 5.75% senior notes due 2014, \$283 million accreted value of zero-coupon senior notes due 2022, Euro 250 million (approximately \$308 million based on the exchange rate in effect as of October 2, 2004) of 8.125% senior notes due 2008, \$600 million of 7.96% senior notes due 2005 and \$800 million of 8.11% senior notes due 2009.

On August 3, 2004, we issued \$400 million aggregate principal amount of unsecured 5.75% senior notes, which mature in 2014, yielding gross proceeds of \$399.2 million. We expect to use the net proceeds of this offering for general corporate purposes, including, without limitation, the repayment or repurchase of a portion of our 7.96% senior notes due 2005. The notes are unsecured and rank equally with our other unsecured senior indebtedness, including our other senior notes. The offering of the notes was not registered under the Securities Act of 1933, as amended (the "Securities Act"). Under the terms of a registration rights agreement entered into in connection with the issuance of the notes, we are required to complete an exchange offer of the notes for substantially identical notes registered under the Securities Act. We would be required to pay additional interest on the notes in the event the exchange offer is not completed by a specified date and under certain other circumstances.

On August 26 2004, we amended our outstanding zero-coupon convertible senior notes to require the settlement of any repurchase obligation with respect to the convertible senior notes for cash.

All of 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 October 2, 2004, we were in compliance with all covenants and other requirements set forth in our senior notes.

All of our 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. Pursuant to our primary credit facility, we currently have the right to release the guarantees thereunder. Upon such a release, the obligations under all of our senior notes would be effectively subordinated to the liabilities of all of our subsidiaries.

Scheduled cash interest payments on our outstanding senior notes are \$56 million in the last three months of 2004, \$136 million in 2005, \$113 million in 2006 and 2007, \$100 million in 2008 and \$55 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 October 2, 2004 and December 31, 2003, there were no accounts receivable sold under the facility. The level of funding utilized

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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. In October 2004, the ABS facility was amended to extend the termination date to November 1, 2005.

**Guarantees and Commitments**

We guarantee the residual value of certain of our leased assets. As of October 2, 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 October 2, 2004, the debt balance of Total Interior Systems — America, L.L.C. covered by our guarantees was \$10 million.

***Accounts Receivable Factoring***

From time to time, certain of our European subsidiaries factor their accounts receivable with financial institutions. Such receivables are factored without recourse to us and are excluded from accounts receivable in our consolidated balance sheets. As of October 2, 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*** <sup>(1)</sup>

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

	<b>Standard &amp; Poor's Ratings Services</b>	<b>Moody's Investors Service</b>	<b>Fitch Ratings</b>
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***

A summary of 2004 dividend activity is shown below:

<b>Dividend Amount</b>	<b>Declaration Date</b>	<b>Record Date</b>	<b>Payment Date</b>
(per share)			
\$0.20	February 3, 2004	February 18, 2004	March 8, 2004
\$0.20	May 13, 2004	May 28, 2004	June 14, 2004
\$0.20	August 12, 2004	August 27, 2004	September 13, 2004

We expect to pay quarterly cash dividends in the future, although such payment is dependent upon our financial condition, results of operations, capital requirements, alternative uses of capital and other factors. Also, we are subject to the restrictions on the payment of dividends contained in our primary credit facility and in certain other contractual obligations. See " — Forward-Looking Statements."

***Common Stock Repurchase Program***

In May 2002, the Board of Directors approved a common stock repurchase program that permits the discretionary repurchase of up to 3.3 million shares of our outstanding common stock over an initial period of 24 months, as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2003. In May 2004, the program was extended until May 2006, as disclosed in our Quarterly Report on Form 10-Q for the quarter ended April 3, 2004.

During the first nine months of 2004, we repurchased 934,900 shares of our outstanding common stock at an average purchase price of \$54.17 per share, excluding commissions of \$0.03 to \$0.04 per share. As of October 2, 2004, 2,333,300 shares of common stock were available for repurchase under the common stock repurchase program.

During October 2004, we repurchased 899,400 shares of our outstanding common stock at an average purchase price of \$52.31 per share, excluding commissions of \$0.03 per share. On November 11, 2004, we announced that our Board of Directors approved a common stock repurchase program which permits the discretionary repurchase of up to 5,000,000 shares of our common stock through November 15, 2006. The new stock repurchase program replaces the program described above. The extent to which we will repurchase our common stock and the timing of such

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repurchases will depend upon prevailing market conditions, alternative uses of capital and other factors. See “ — Forward-Looking Statements.” Also, we are subject to the restrictions on common stock repurchases contained in our primary credit facility and in certain other contractual obligations.

### *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 October 2, 2004. The potential earnings benefit 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 \$5 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 \$5 million.

As of October 2, 2004, foreign exchange contracts representing \$2 billion of notional amount were outstanding with maturities of less than 15 months. The fair market value of these foreign exchange contracts as of October 2, 2004, was approximately \$1 million. A 10% change in the value of the U.S. dollar relative to all other currencies would result in a \$4 million change in the aggregated fair market value of these contracts. A 10% change in the value of the Euro relative to all other currencies would result in a \$6 million change in the aggregated fair market 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.

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### *Interest Rates*

We use a combination of fixed and variable rate debt and interest rate swap contracts to manage our exposure to interest rate movements. Our exposure to variable interest rates on outstanding floating rate debt instruments indexed to U.S. or European Monetary Union short-term money market rates is partially managed by the use of interest rate swap contracts to convert variable rate debt to fixed rate debt, matching effective and maturity dates to specific debt instruments. We also utilize interest rate swap contracts to convert certain fixed rate debt obligations to a floating rate basis. All of our 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 swap contracts are recorded as adjustments to interest expense in our consolidated statements of income on an accrual basis. As of October 2, 2004, there were no contracts outstanding which convert variable rate debt to fixed rate debt, only contracts which convert fixed rate debt to floating rate debt.

We have performed a quantitative analysis of our overall interest rate exposure as of October 2, 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 \$6 million.

As of October 2, 2004, interest rate swap contracts representing \$600 million of notional amount were outstanding with maturity dates of May 2005 through May 2009. All of these contracts are designated as fair value hedges and modify the fixed rate characteristics of our outstanding long-term debt. The fair market value of these interest rate swap contracts is subject to changes in value due to changes in interest rates. The fair market value of these contracts as of October 2, 2004, was approximately negative \$9 million. A 100 basis point parallel shift in interest rates would result in a \$13 million change in the aggregated fair market value of these contracts.

### *Commodity Prices*

We have commodity price risk with respect to purchases of certain raw materials. In certain instances, we have used financial instruments to mitigate this risk. Increases in certain raw material or commodity costs, such as steel, resins and diesel fuel, have negatively impacted our operating results in the first nine months of 2004, and we expect them to have a significant impact on our profitability in the remainder of 2004 and in 2005. We have developed strategies to mitigate the impact, which include aggressive cost reduction actions, the selective in-sourcing of components where we have available capacity, the continued consolidation of our supply base and the acceleration of low-cost country sourcing and engineering. In addition, the sharing of increased raw material costs has been, or will be, the subject of negotiations with our suppliers and our customers. While we believe that our mitigation efforts will offset a substantial portion of the financial impact of increased commodity costs, no assurances can be given that the magnitude and duration of these cost increases will not have a material impact on our future operating results. 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.”

**LEAR CORPORATION****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 nine 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.

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.

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	Adjustments/Utilized	Accrual as of October 2, 2004
UT Automotive	\$ 1.9	\$ (1.2)	\$ 0.7
Delphi	13.0	(11.9)	1.1

During the first nine months of 2003, we utilized \$1.8 million and \$4.5 million of the loss contract accruals related to the UT Automotive and Delphi acquisitions, respectively.

**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.

**LEAR CORPORATION**

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

In May 2004, the Financial Accounting Standards Board (“FASB”) issued FASB Staff Position (“FSP”) 106-2, “Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003,” which provides the applicable accounting guidance related to the federal subsidy. In accordance with the transition provisions of FSP 106-2, the effects of the Act are reflected in the measurement of the postretirement benefit obligation and net periodic postretirement benefit cost as of and for the three and nine months ended October 2, 2004. The effects of adoption were not significant.

*Variable Interest Entities*

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

*Contingently Convertible Debt*

The 4,813,056 shares issuable upon conversion of our outstanding zero-coupon convertible senior notes are not included in the computation of diluted shares outstanding, as none of the contingent conversion events set forth in the notes has occurred. In October 2004, the FASB ratified the final consensus of the Emerging Issues Task Force (“EITF”) on EITF 04-08, “The Effect of Contingently Convertible Debt on Diluted Earnings per Share,” which states that the impact of contingently convertible instruments that are convertible into common stock upon the achievement of a specified market price of the issuer’s shares, such as our outstanding zero-coupon convertible senior notes, should be included in diluted net income per share computations regardless of whether the market price trigger has been met. The provisions will be effective for reporting periods ending after December 15, 2004, and all prior period net income per share amounts presented will be restated to conform to the new provisions. The effect of EITF 04-08 on the calculation of basic and diluted net income per share will be to adjust net income by adding back after-tax interest expense and to increase total shares outstanding by the number of shares that would be issuable upon conversion. The pro forma effects of this new accounting pronouncement are shown below (in millions, except per share data):

	Three Months Ended		Nine Months Ended	
	October 2, 2004	September 27, 2003	October 2, 2004	September 27, 2003
Net income, as reported	\$ 91.7	\$ 76.1	\$ 299.2	\$ 248.1
Add: After-tax interest expense on convertible debt	2.3	2.2	7.0	6.6
Net income, for diluted net income per share	\$ 94.0	\$ 78.3	\$ 306.2	\$ 254.7
Diluted shares outstanding, as reported	69,702,876	68,998,584	70,190,655	68,058,026
Add: Shares issuable upon conversion of convertible debt	4,813,056	4,813,056	4,813,056	4,813,056
Diluted shares outstanding, pro forma	74,515,932	73,811,640	75,003,711	72,871,082
Diluted net income per share, pro forma	\$ 1.26	\$ 1.06	\$ 4.08	\$ 3.50

For further information related to the zero-coupon convertible senior notes, see Note 8, “Long-Term Debt,” to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2003.

**Outlook**

For the fourth quarter of 2004, net sales are expected to be approximately \$4.1 billion, down about 3% from a year ago, reflecting lower production volumes in North America and unfavorable vehicle production mix in Europe. Net income per share is expected to be in the range of \$1.70 to \$1.80, reflecting the lower net sales, the impact of higher commodity costs and the investment in structural cost reductions. Full year net income per share is expected to be in the range of \$5.97 to \$6.07. Our fourth quarter and full year 2004 net income per share guidance is based on an assumed 69.8 million and 70.0 million shares outstanding, respectively, and does not reflect the adoption of EITF 04-08, which will be adopted in the fourth quarter of 2004. The impact of the assumed conversion of the

## LEAR CORPORATION

outstanding convertible senior notes is expected to reduce fourth quarter and full year 2004 net income per share by approximately \$0.08 and \$0.26 - \$0.27, respectively.

Our 2004 industry planning assumptions are now 15.8 million units for North America and 18.5 million units for Europe (16.1 million units for Western Europe). Full year capital spending is forecasted to be approximately \$400 million. The fourth quarter and full year 2004 effective tax rate is expected to be in the 24% range.

Finally, certain automakers in both North America and Europe have recently announced production cuts which impact several of our key platforms. While the exact impact of these production cuts, together with increased commodity costs, is uncertain, these factors will significantly affect our earnings in the remainder of 2004 and in 2005.

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,” “ — Executive Overview” and Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2003.

### FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by us or on our behalf. The words “will,” “may,” “designed to,” “outlook,” “believe,” “should,” “anticipate,” “plan,” “expect,” “intend,” “estimate” and similar expressions identify these forward-looking statements. All statements contained or incorporated in this Report which address operating or financial performance, events or developments that we expect or anticipate may occur in the future, including statements related to business opportunities, awarded sales contracts and net income per share growth or statements expressing views about future operating and financial results, are forward-looking statements. Because these forward-looking statements are subject to risks and uncertainties, actual results may differ materially from the expectations expressed in the forward-looking statements. Important factors, risks and uncertainties that may cause actual results to differ from those expressed in our forward-looking statements include, but are not limited to:

- general economic conditions in the markets in which we operate, including changes in interest rates and fuel prices;
- fluctuations in the production of vehicles for which we are a supplier;
- labor disputes involving us or our significant customers or suppliers or that otherwise affect us;
- our ability to achieve cost reductions that offset or exceed customer-mandated selling price reductions;
- the impact and timing of program launch costs;
- the costs and timing of facility closures or similar actions;
- increases in our warranty or product liability costs;
- risks associated with conducting business in foreign countries;
- fluctuations in foreign exchange rates;
- adverse changes in economic conditions or political instability in the jurisdictions in which we operate;
- competitive conditions impacting our key customers;
- raw material cost and availability;
- our ability to successfully integrate the recently acquired terminals and connectors operations;
- the outcome of legal or regulatory proceedings to which we are or may become a party;
- unanticipated changes in cash flow; and
- other risks described from time to time in our other Securities and Exchange Commission filings.

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

**LEAR CORPORATION**

**ITEM 4 — CONTROLS AND PROCEDURES**

(a) Disclosure Controls and Procedures

The Company has evaluated, under the supervision and with the participation of the Company's management, including the Company's Chairman and Chief Executive Officer along with the Company's Senior Vice President and Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended), as of the end of the period covered by this Report. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. However, based on that evaluation, the Company's Chairman and Chief Executive Officer along with the Company's Senior Vice President and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this Report.

(b) Changes in Internal Controls over Financial Reporting

There was no change in the Company's internal controls over financial reporting that occurred during the fiscal quarter ended October 2, 2004, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.



**LEAR CORPORATION**

**PART II — OTHER INFORMATION**

**ITEM 1 — LEGAL PROCEEDINGS**

**Commercial Disputes**

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

On January 29, 2002, Seton Company, one of our leather suppliers, filed a suit alleging that we had breached a purported agreement to purchase leather from it for seats for the life of the General Motors GMT 800 program. This suit presently is pending in the U.S. District Court for the Eastern District of Michigan. Seton seeks compensatory and exemplary damages on breach of contract and promissory estoppel claims and has submitted a report alleging up to approximately \$75 million in damages. Lear has filed a counterclaim and believes that we have meritorious defenses to Seton's liability and damages claims. We intend to vigorously contest the lawsuit. As of the date of this Report, discovery is continuing, and the trial is scheduled for the first quarter of 2005.

**Product Liability Matters**

In the event that use of our products results in, or is alleged to result in, bodily injury and/or property damage or other losses, we may be subject to product liability lawsuits and other claims. In addition, we are a party to warranty-sharing and other agreements with our customers relating to our products. These customers may pursue claims against us for contribution of all or a portion of the amounts sought in connection with product liability and warranty claims. We can provide no assurances that we will not experience material claims in the future or that we will not incur significant costs to defend such claims. In addition, if any of our products are, or are alleged to be, defective, we may be required or requested by our customers to participate in a recall or other corrective action involving such products. Certain of our customers have asserted claims against us for costs related to recalls involving our products. In certain instances, the allegedly defective products were supplied by Tier 2 suppliers against whom we have sought or will seek contribution. We believe that the overall net impact of these claims is not likely to be material, although no assurances can be given in this regard. We carry insurance for certain legal matters, including product liability claims, but such coverage may be limited. The Company does not maintain insurance for recall matters, as such insurance is not generally available.

**Environmental Matters**

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

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

One of our subsidiaries and certain predecessor companies were named as defendants in an action filed by three plaintiffs in August 2001 in the Circuit Court of Lowndes County, Mississippi asserting claims stemming from alleged environmental contamination caused by an automobile parts manufacturing plant located in Columbus, Mississippi. The plant was acquired by us as part of the UT Automotive acquisition in May 1999 and sold almost immediately thereafter, in June 1999, to Johnson Electric Holdings Limited ("Johnson Electric"). In December 2002, approximately 61 additional cases were filed by approximately 1,000 plaintiffs in the same court against us and other defendants relating to similar claims. In September 2003, we were dismissed as a party to these cases. In the first half of 2004, we were named again as a defendant in these same 61 cases and were also named in five new actions filed by approximately 150 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

**LEAR CORPORATION**

facility. Each of these complaints seeks compensatory and punitive damages. To date, there has been limited discovery in these cases and the probability of liability and the amount of damages in the event of liability are unknown. UTC, the former owner of UT Automotive, and Johnson Electric have each sought indemnification from us under the respective acquisition agreements, and we have claimed indemnification from them under the same agreements. To date, no company admits to, or has been found to have, an obligation to fully defend and indemnify any other. We intend to vigorously defend against these claims and believe that we will eventually be indemnified by either UTC or Johnson Electric for resulting losses, if any.

**Other Matters**

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

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

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

As discussed in Part I — Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources - - Capitalization — Common Stock Repurchase Program,” on November 11, 2004, the Board of Directors approved a new common stock repurchase program which replaced our prior program. A summary of the shares of our common stock repurchased under our prior program during the quarter ended October 2, 2004, is shown below:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Program
July 4, 2004 through July 31, 2004	—	N/A	—	2,840,800
August 1, 2004 through August 28, 2004	507,500	\$53.55*	507,500	2,333,300
August 29, 2004 through October 2, 2004	—	N/A	—	2,333,300
Total	<u>507,500</u>	<u>\$53.55</u>	<u>507,500</u>	<u>2,333,300</u>

\* Excludes commissions of \$0.03 per share.

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

(a) Exhibits.

4.9 Supplemental Indenture No. 1 to Indenture dated February 20, 2002, by and among Lear Corporation as Issuer, the Guarantors party thereto from time to time and the Bank of New York as Trustee (incorporated by reference to Exhibit 99.1 to the Company’s Current Report on Form 8-K dated August 26, 2004).

4.10 Indenture dated August 3, 2004, by and among Lear Corporation as Issuer, the Guarantors party thereto from time to time and the BNY Midwest Trust Company as Trustee (incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K dated August 3, 2004).

\*\* 10.1 Purchase Agreement dated July 29, 2004, by and among Lear Corporation as Issuer, the Guarantors party thereto and the Purchasers (as defined therein).

**LEAR CORPORATION**

- \*\* 10.2 Registration Rights Agreement dated August 3, 2004, by and among Lear Corporation as Issuer, the Guarantors party thereto and the Initial Purchasers (as defined 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.

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\*\* Filed herewith.

(b) The following reports on Form 8-K were filed during the fiscal quarter ended October 2, 2004.

On July 22, 2004, the Company filed a Current Report on Form 8-K dated July 22, 2004, under Item 9, Regulation FD Disclosure, and Item 12, Results of Operations and Financial Condition, reporting its financial results for the second quarter of 2004 and updating its earnings guidance for 2004. In addition, under Item 9, Regulation FD Disclosure, and Item 12, Results of Operations and Financial Condition, the Company filed the visual slides from the webcast of its second quarter 2004 earnings call conducted on July 22, 2004.\*

On July 29, 2004, the Company filed a Current Report on Form 8-K dated July 29, 2004, under Item 5, Other Events and Regulation FD Disclosure, announcing a private offering of \$400 million of unsecured notes due August 2014.

On August 3, 2004, the Company filed a Current Report on Form 8-K dated August 3, 2004, under Item 5, Other Events and Regulation FD Disclosure announcing the issuance of \$400 million aggregate principal amount of unsecured 5.75% senior notes due 2014 (the "Notes"). In addition, the Company filed the Indenture governing the Notes between Lear Corporation, certain subsidiary guarantors and BNY Midwest Trust Company, as trustee.

On August 26, 2004, the Company filed a Current Report on Form 8-K dated August 26, 2004, under Item 1.01, Entry into a Material Definitive Agreement, reporting that it entered into an agreement to amend the Indenture governing the Zero-Coupon Convertible Senior Notes (the "Convertible Notes") due February 20, 2022. Under the amendment, the Company surrendered its right to pay the purchase price in common stock of the Convertible Notes if they are put to the Company, and will instead pay such amount, if required, in cash. In addition, the Company filed the agreement, Supplemental Indenture No. 1, between the Company, certain subsidiary guarantors and The Bank of New York, as trustee.

\* Pursuant to General Instruction B of Form 8-K, the portion of the report submitted to the Securities and Exchange Commission under Item 7.01 (formerly Item 9), Regulation FD Disclosure, and Item 2.02 (formerly Item 12), Results of Operations and Financial Condition, is not deemed to be "filed" for purpose of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and we are not subject to the liabilities of that section. We are not incorporating, and will not incorporate by reference, such portion of the report into filings under the Securities Act of 1933, as amended, or the Exchange Act.

**LEAR CORPORATION**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LEAR CORPORATION

Dated: November 10, 2004

By: /s/ Robert E. Rossiter

Robert E. Rossiter  
President and Chief Executive Officer

By: /s/ David C. Wajsgras

David C. Wajsgras  
Senior Vice President and Chief Financial Officer

By: /s/ William C. Dircks

William C. Dircks  
Vice President and Corporate Controller

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**INDEX TO EXHIBITS**

**Exhibit  
Number**

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- 4.9 Supplemental Indenture No. 1 to Indenture dated February 20, 2002, by and among Lear Corporation as Issuer, the Guarantors party thereto from time to time and the Bank of New York as Trustee (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated August 26, 2004).
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- \*\* 10.1 Purchase Agreement dated July 29, 2004, by and among Lear Corporation as Issuer, the Guarantors party thereto and the Purchasers (as defined therein).
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\*\* Filed herewith.

\$400,000,000

LEAR CORPORATION

5-3/4% SENIOR NOTES DUE 2014

PURCHASE AGREEMENT

July 29, 2004

J.P. Morgan Securities Inc.  
Merrill Lynch & Co.  
Merrill Lynch, Pierce, Fenner & Smith  
Incorporated  
Banc of America Securities LLC  
Deutsche Bank Securities Inc.  
ABN AMRO Incorporated  
BNP Paribas Securities Corp.  
Calyon Securities (USA) Inc.  
Mizuho International plc  
Scotia Capital (USA) Inc.  
SunTrust Capital Markets, Inc.  
Wachovia Capital Markets, LLC  
c/o J.P. Morgan Securities Inc.  
270 Park Avenue  
New York, New York 10017

Dear Sirs:

1. Introductory. Lear Corporation, a Delaware corporation (the "COMPANY"), proposes, subject to the terms and conditions stated herein, to issue and sell the several initial purchasers named in Schedule A hereto (the "PURCHASERS") \$400,000,000 principal amount of its 5-3/4% Senior Notes due 2014 (the "NOTES"), to be guaranteed on a joint and several basis by the Guarantors listed on Schedule B hereto (each a "GUARANTOR" and together, the "GUARANTORS"). The Notes and the guarantees of the Guarantors (the "GUARANTEES" and, together with the Notes, the "SECURITIES")) are to be issued pursuant to the provisions of an Indenture dated as of August 3, 2004 (the "INDENTURE") among the Company, the Guarantors and BNY Midwest Trust Company, as trustee (the "TRUSTEE").

The Securities will be offered without being registered under the Securities Act of 1933, as amended (the "SECURITIES ACT"), to qualified institutional buyers in compliance with the exemption from registration provided by Rule 144A under the Securities Act and in offshore transactions in reliance on Regulation S under the Securities Act ("REGULATION S").

The Purchasers and their direct and indirect transferees will be entitled to the benefits of a Registration Rights Agreement dated as of August 3, 2004 among the Company, the Guarantors and the Purchasers (the "REGISTRATION RIGHTS AGREEMENT"). Pursuant to the Registration Rights Agreement, each of the Company and the Guarantors has agreed to file with the Securities and Exchange Commission (the "COMMISSION") (i) a registration statement (the "EXCHANGE OFFER REGISTRATION STATEMENT") under the Securities Act registering the offering of notes (the "EXCHANGE NOTES") and related guarantees with substantially identical terms in all material respects to the Securities (except that the Exchange Notes will not contain terms with respect to transfer restrictions or additional interest) to be offered in exchange for the Securities and (ii) under certain circumstances, a shelf registration statement pursuant to Rule 415 under the

Securities Act (the "SHELF REGISTRATION STATEMENT" and, together with the Exchange Offer Registration Statement, the "REGISTRATION STATEMENTS").

In connection with the sale of the Securities, the Company has prepared a preliminary offering memorandum (the "PRELIMINARY OFFERING DOCUMENT") and will prepare a final offering memorandum (the "OFFERING DOCUMENT") including or incorporating by reference a description of the terms of the Securities, the terms of the offering, and a description of the Company. As used herein, the terms "PRELIMINARY OFFERING DOCUMENT" and "OFFERING DOCUMENT" shall include in each case the documents incorporated by reference therein prior to the Closing Date (as defined in Section 3). The terms "SUPPLEMENT", "AMENDMENT" and "AMEND" as used herein with respect to either the Preliminary Offering Document or the Offering Document shall include all documents deemed to be incorporated by reference in the Preliminary Offering Document or Offering Document that are filed with the Commission pursuant to the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT") subsequent to the date of such Offering Document and prior to the Closing Date.

The Company and the Guarantors each hereby agrees with the several Purchasers as follows:

2. Representations and Warranties of the Company and the Guarantors. The Company and the Guarantors each represents and warrants to, and agrees with, the several Purchasers that:

(a) (i) Each document filed or to be filed pursuant to the Exchange Act and incorporated by reference in the Preliminary Offering Document or the Offering Document (collectively, the "EXCHANGE ACT REPORTS") complied, on the date originally filed, or will comply when so filed in all material respects with the Exchange Act and the applicable rules and regulations of the Commission thereunder and (ii) the Preliminary Offering Document as of its date did not contain and the Offering Document, in the form used by the Purchasers to confirm sales and on the Closing Date, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph do not apply to statements in or omissions from the Preliminary Offering Document or the Offering Document based upon written information furnished to the Company by any Purchaser through J.P. Morgan Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representatives (the "REPRESENTATIVES") specifically for use therein, it being understood and agreed that the only such information is that described as such in Section 7(b) hereof.

(b) The Company has been duly incorporated and is an existing corporation in good standing under the laws of the State of Delaware, with power and authority (corporate and other) to own its properties and conduct its business as described in the Offering Document; and the Company is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification, except to the extent that the failure to be so qualified would not individually or in the aggregate have a material adverse effect on the condition (financial or other), business, properties or results of operations of the Company and its subsidiaries taken as a whole ("MATERIAL ADVERSE EFFECT").

(c) The Company has an authorized capitalization as set forth in the Offering Document under the heading "Capitalization."

(d) Each subsidiary of the Company, including, without limitation, each of the Guarantors, has been duly incorporated and is an existing corporation or other entity in good standing under the laws of the jurisdiction of its formation, with power and authority (corporate or other) to own its properties and conduct its business as described in the Offering Document; and each subsidiary of the Company is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification except to the extent that the failure to be so qualified would not individually or in the aggregate have a Material Adverse Effect; all of the issued and outstanding capital stock of each

subsidiary of the Company has been duly authorized and validly issued and is fully paid and nonassessable; and, except as otherwise disclosed in the Offering Document, the capital stock of each subsidiary owned by the Company, directly or through subsidiaries, is owned free from liens, encumbrances and defects (other than liens and other encumbrances that will be permitted under the terms of the Indenture).

(e) On the Closing Date, the Indenture will have been duly authorized by the Company and each of the Guarantors and, when duly executed and delivered in accordance with its terms by each of the parties thereto, will constitute a valid and legally binding agreement of the Company and each of the Guarantors enforceable against the Company and each of the Guarantors in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles; the Indenture will conform in all material respects with the description thereof contained in the Offering Document; and on the Closing Date, the Indenture will conform in all material respects to the requirements of the Trust Indenture Act of 1939, as amended (the "TRUST INDENTURE ACT"), and the rules and regulations of the Commission applicable to an indenture that is qualified thereunder.

(f) On the Closing Date, the Notes will have been duly authorized by the Company and, when duly executed, authenticated, issued and delivered as provided in the Indenture and paid for as provided herein, will be duly and validly issued and outstanding and will constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their terms and entitled to the benefits of the Indenture, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles; the Guarantees have been duly authorized by each of the Guarantors and, when the Notes have been duly executed, authenticated, issued and delivered as provided in the Indenture and paid for as provided herein, will be valid and legally binding obligations of each of the Guarantors, enforceable against each of the Guarantors in accordance with their terms and entitled to the benefits of the Indenture, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles; and the Securities will conform in all material respects with the description thereof contained in the Offering Document.

(g) On the Closing Date, the Exchange Notes and the related guarantees will have been duly authorized by the Company and each of the Guarantors and, when duly executed, authenticated, issued and delivered as contemplated by the Registration Rights Agreement, will be duly and validly issued and outstanding and will constitute valid and legally binding obligations of the Company, as issuer, and each of the Guarantors, as guarantor, enforceable against the Company and each of the Guarantors in accordance with their terms and entitled to the benefits of the Indenture, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles; and the Exchange Notes will conform in all material respects with the description thereof contained in the Offering Document.

(h) Except as disclosed in the Offering Document, there are no contracts, agreements or understandings between the Company and any person that would give rise to a valid claim against the Company or any Purchaser for a brokerage commission, finder's fee or other like payment in connection with the offer and sale of the Securities.

(i) No consent, approval, authorization, or order of, or filing with, any governmental agency or body or any court is required in connection with the transactions contemplated herein or in the Indenture or the Registration Rights Agreement, except (i) such as will be obtained or made under the Securities Act, the Exchange Act, and the Trust Indenture Act, (ii) such as may be required under the blue sky laws of any state or the laws of any foreign jurisdiction in connection with the purchase and distribution of the Securities by the Purchasers in the manner contemplated herein and



in the Offering Document and the Registration Rights Agreement and (iii) such as may be required by the National Association of Securities Dealers, Inc.

(j) Neither the Company nor any of its subsidiaries is in breach or violation of any of the terms and provisions of, or in default under, any statute, any rule, regulation or order of any governmental agency or body or any court, domestic or foreign, having jurisdiction over the Company or any subsidiary of the Company or any of their material properties, or any material agreement or instrument to which the Company or any such subsidiary is a party or by which the Company or any such subsidiary is bound or to which any of the material properties of the Company or any such subsidiary is subject, or the charter or by-laws of the Company or any such subsidiary where any such breach, violation or default would reasonably be expected to have a Material Adverse Effect.

(k) The execution, delivery and performance by the Company and each of the Guarantors of the Indenture, this Agreement and the Registration Rights Agreement, the execution, delivery and performance by the Company of the Notes, the execution, delivery and performance by the Guarantors of the Guarantees, the compliance with the terms and provisions thereof and the issuance and sale of the Securities will not result in a breach or violation of any of the terms and provisions of, or constitute a default under, any statute, any rule, regulation or order of any governmental agency or body or any court, domestic or foreign, having jurisdiction over the Company or any subsidiary of the Company or any of their material properties, or any material agreement or instrument to which the Company or any such subsidiary is a party or by which the Company or any such subsidiary is bound or to which any of the material properties of the Company or any such subsidiary is subject, or the charter or by-laws of the Company or any such subsidiary, and the Company and each of the Guarantors has full power and authority to authorize, issue and sell the Notes and the Guarantees, respectively, as contemplated by this Agreement.

(l) This Agreement has been duly authorized, executed and delivered by the Company and each of the Guarantors. On the Closing Date, the Registration Rights Agreement will have been duly authorized, and when the Securities are delivered and paid for pursuant to this Agreement on the Closing Date, the Registration Rights Agreement will have been duly executed and delivered by the Company and each of the Guarantors and, assuming the due authorization, execution and delivery to the Purchasers, will constitute a valid and legally binding obligation of the Company and each of the Guarantors, enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles and except as rights to indemnification and contribution may be limited under applicable law or public policy considerations.

(m) Except as disclosed in the Offering Document, the Company and its subsidiaries have good and marketable title to all real properties and all other properties and assets owned by them, in each case free from liens, encumbrances and defects that would materially affect the value thereof or materially interfere with the use made or to be made thereof by them, with such exceptions as would not reasonably be expected to have a Material Adverse Effect; and except as disclosed in the Offering Document, the Company and its subsidiaries hold any leased real or personal property under valid and enforceable leases with no exceptions that would have a Material Adverse Effect.

(n) The Company and its subsidiaries possess adequate certificates, authorities or permits issued by appropriate governmental agencies or bodies necessary to conduct the business now operated by them and have not received any notice of proceedings relating to the revocation or modification of any such certificate, authority or permit that, if determined adversely to the Company or any of its subsidiaries, would individually or in the aggregate have a Material Adverse Effect.

(o) No labor dispute with the employees of the Company or any subsidiary exists or, to the knowledge of the Company, is imminent that could be reasonably expected to have a Material Adverse Effect.

(p) The Company and its subsidiaries own, possess or can acquire on reasonable terms, adequate trademarks, trade names and other rights to inventions, know-how, patents, copyrights, confidential information and other intellectual property (collectively, "INTELLECTUAL PROPERTY RIGHTS") necessary to conduct the business now operated by them, or presently employed by them, and have not received any notice of infringement of or conflict with asserted rights of others with respect to any intellectual property rights that would reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

(q) Except as disclosed in the Offering Document, neither the Company nor any of its subsidiaries is in violation of any statute, any rule, regulation, decision or order of any governmental agency or body or any court, domestic or foreign, relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environment or human exposure to hazardous or toxic substances (collectively, "ENVIRONMENTAL LAWS"), owns or operates any real property contaminated with any substance that is subject to any environmental laws, is liable for any off-site disposal or contamination pursuant to any environmental laws, or is subject to any claim relating to any environmental laws, which violation, contamination, liability or claim would individually or in the aggregate have a Material Adverse Effect; and the Company is not aware of any pending investigation which might lead to such a claim.

(r) Except as disclosed in the Offering Document, there are no pending actions, suits or proceedings against or affecting the Company, any of its subsidiaries or any of their respective properties that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect, or would materially and adversely affect the ability of the Company or the Guarantors to perform their obligations under the Indenture, this Agreement or the Registration Rights Agreement, or which are otherwise material in the context of the sale of the Securities; and no such actions, suits or proceedings are threatened or, to the Company's knowledge, contemplated.

(s) The financial statements included in the Offering Document present fairly in all material respects the financial position of the Company and its consolidated subsidiaries as of the dates shown and their results of operations and cash flows for the periods shown, and, except as otherwise disclosed in the Offering Document, such financial statements have been prepared in conformity with the generally accepted accounting principles in the United States applied on a consistent basis; Ernst & Young LLP, who have certified certain financial statements of the Company and its subsidiaries, are independent public accountants as required by the Securities Act and the rules and regulations of the Commission thereunder.

(t) Except as disclosed in the Offering Document (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement), since the date of the latest audited financial statements included in the Offering Document there has been no material adverse change, nor any development or event involving a prospective material adverse change, in the condition (financial or other), business, properties or results of operations of the Company and its subsidiaries taken as a whole, and, except as disclosed in or contemplated by the Offering Document (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement), there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock.

(u) The Company is subject to the reporting requirements of either Section 13 or Section 15(d) of the Exchange Act.

(v) Neither the Company nor any of the Guarantors is an open-end investment company, unit investment trust or face-amount certificate company that is or is required to be registered under Section 8 of the Investment Company Act of 1940 (the "INVESTMENT COMPANY ACT"); and neither the Company nor any of the Guarantors is nor, after giving effect to the offering and sale of the Securities

and the application of the proceeds thereof as described in the Offering Document, will be an "investment company" as defined in the Investment Company Act.

(w) No securities of the same class (within the meaning of Rule 144A(d)(3) under the Securities Act) as the Securities are listed on any national securities exchange registered under Section 6 of the Exchange Act or quoted in a U.S. automated inter-dealer quotation system.

(x) Assuming the accuracy of the representations and warranties, and the performance of the covenants, of the Purchasers and the Company in Section 4, the offer and sale of the Securities in the manner contemplated by this Agreement will be exempt from the registration requirements of the Securities Act by reason of Section 4(2) thereof; and until such time as the Exchange Offer Registration Statement or the Shelf Registration Statement is filed with the Commission, it is not necessary to qualify an indenture in respect of the Securities under the Trust Indenture Act.

(y) Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf (i) has, within the six-month period prior to the date hereof, offered or sold, in the United States or to any U.S. person (as such terms are defined in Regulation S under the Securities Act) the Securities or any security of the same class or series (as defined in Rule 144A under the Securities Act) as the Securities or (ii) has offered or will offer or sell the Securities (A) in the United States by means of any form of general solicitation or general advertising within the meaning of Rule 502(c) under the Securities Act or (B) with respect to any such Securities sold in reliance on Rule 903 of Regulation S ("REGULATION S") under the Securities Act, by means of any directed selling efforts within the meaning of Rule 902(c) of Regulation S. The Company, its affiliates and any person acting on its or their behalf have complied and will comply with the offering restrictions requirement of Regulation S. The Company has not entered and will not enter into any contractual arrangement with respect to the distribution of the Securities except for this Agreement.

(z) The Company and, to the best knowledge of the Company, the Company's directors and officers, in their capacities as such, are in compliance with the provisions of the Sarbanes-Oxley Act of 2002 currently applicable to the Company.

3. Purchase, Sale and Delivery of Securities. On the basis of the representations, warranties and agreements herein contained, but subject to the terms and conditions herein set forth, the Company agrees to sell to the Purchasers, and the Purchasers agree, severally and not jointly, to purchase from the Company, at a purchase price of 99.148% of the principal amount thereof plus accrued interest from August 3, 2004 to the Closing Date of the Notes set forth opposite the names of the several Purchasers in Schedule A hereto.

The Company will deliver against payment of the purchase price the Notes in the form of one or more permanent global Notes in definitive form (the "GLOBAL NOTES") deposited with the Trustee as custodian for The Depository Trust Company ("DTC") and registered in the name of Cede & Co., as nominee for DTC. Interests in any permanent global Notes will be held only in book-entry form through DTC, except in the limited circumstances described in the Offering Document. Payment for the Notes shall be made by the Purchasers in Federal (same day) funds by wire transfer to an account at a bank specified by the Company and acceptable to the Representatives to the order of the Company at the office of Simpson Thacher & Bartlett LLP, New York, New York at 9:00 A.M. (New York time), on August 3, 2004, or at such other time not later than seven full business days thereafter as the Representatives and the Company determine, such time being herein referred to as the "CLOSING DATE", against delivery to the Trustee as custodian for DTC of the Global Notes representing all of the Notes. The Global Notes will be made available for checking at the above office of Simpson Thacher & Bartlett LLP at least 24 hours prior to the Closing Date.

#### 4. Representations by Purchasers; Resale by Purchasers

(a) Each Purchaser, severally and not jointly, represents and warrants that such Purchaser is a qualified institutional buyer as defined in Rule 144A under the Securities Act (a "QIB"). Each Purchaser, severally and not jointly, agrees with the Company that:

(1) it is purchasing the Securities pursuant to a private sale exemption from registration under the Securities Act;

(2) it has not solicited offers for, or offered or sold, and will not solicit offers for, or offer or sell, Securities by any form of general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act; and

(3) it has solicited and will solicit offers for such Securities only from, and has offered or sold and will offer such Securities only to, persons that it reasonably believes to be (A) in the case of offers inside the United States, QIBs and (B) in the case of offers outside the United States, to persons other than "U.S. persons" ("FOREIGN PURCHASERS," which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners (other than an estate or trust)) in "offshore transactions" (as such terms are defined in Regulation S) in compliance with Regulation S under the Securities Act.

(b) Each Purchaser, severally and not jointly, represents, warrants, and agrees with respect to offers and sales outside the United States that:

(1) such Purchaser understands that no action has been or will be taken in any jurisdiction by the Company or the Guarantors that would permit a public offering of the Securities, or possession or distribution of either Offering Document or any other offering or publicity material relating to the Securities, in any country or jurisdiction where action for that purpose is required;

(2) such Purchaser has complied and will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Securities or has in its possession or distributes either Memorandum or any such other material, in all cases at its own expense;

(3) the Securities have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Rule 144A or Regulation S under the Securities Act or pursuant to another exemption from the registration requirements of the Securities Act;

(4) such Purchaser has offered the Securities and will offer and sell the Securities (A) as part of their distribution at any time and (B) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, only in accordance with Rule 903 of Regulation S or as otherwise permitted in Section 4(a); accordingly, neither such Purchaser, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts (within the meaning of Regulation S) with respect to the Securities, and any such Purchaser, its affiliates and any such persons have complied and will comply with the offering restrictions requirement of Regulation S; and

(5) such Purchaser agrees that, at or prior to confirmation of sales of the Securities, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Securities from it during the restricted period a confirmation or notice to substantially the following effect:

"The securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the "Securities Act") and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until

40 days after the later of the commencement of the offering and the closing date, except in either case in accordance with Regulation S (or Rule 144A if available) under the Securities Act. Terms used above have the meaning given to them by Regulation S."

Terms used in this Section 4(b) have the meanings given to them by Regulation S.

(c) Each of the Purchasers severally represents and agrees that (i) it has not offered or sold and, prior to the date six months after the date of issuance of the Notes, will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended); (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Company or the Guarantors; and (iii) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

5. Certain Agreements of the Company and the Guarantors. The Company and each of the Guarantors agrees with the several Purchasers that:

(a) The Company will advise the Representatives promptly of any proposal to amend or supplement the Offering Document and will not effect such amendment or supplementation without the Representatives' consent, which consent will not be unreasonably withheld or delayed. If, at any time prior to the completion of the resale of the Securities by the Purchasers, any event occurs as a result of which the Offering Document as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Company promptly will notify the Representatives of such event (whereupon the Purchasers shall promptly cease using the Offering Document) and promptly will prepare, at its own expense, an amendment or supplement which will correct such statement or omission. Neither the Representatives' consent to, nor the Purchasers' delivery to offerees or investors of, any such amendment or supplement shall constitute a waiver of any of the conditions set forth in Section 6.

(b) The Company will furnish to the Representatives copies of the Offering Document and all amendments and supplements to such documents, in each case as soon as available and in such quantities as the Representatives request, and the Company will furnish to each of the Representatives on the date hereof one copy of the Offering Document signed by a duly authorized officer of the Company. At any time when the Company is not subject to Section 13 or 15(d) of the Exchange Act, the Company will promptly furnish or cause to be furnished to the Representatives (and, upon request, to each of the other Purchasers) and, upon request of holders and prospective purchasers of the Securities, to such holders and purchasers, copies of the information required to be delivered to holders and prospective purchasers of the Securities pursuant to Rule 144A(d)(4) under the Securities Act (or any successor provision thereto) in order to permit compliance with Rule 144A in connection with resales by such holders of the Securities. The Company will pay the expenses of printing and distributing to the Purchasers all such documents.

(c) The Company will arrange for the qualification of the Securities for sale and the determination of their eligibility for investment under the laws of such jurisdictions in the United States as the Representatives designate and will continue such qualifications in effect so long as required for the resale of the Securities by the Purchasers, provided that the Company will not be

required to qualify as a foreign corporation or to file a general consent to service of process in any such state or subject itself to taxation in any jurisdiction where it is not now so subject.

(d) During the period of two years after the Closing Date, the Company will, upon request, furnish to the Representatives, each of the other Purchasers and any holder of Securities a copy of the restrictions on transfer applicable to the Securities.

(e) During the period of two years after the Closing Date, the Company will not, and will not permit any of its affiliates (as defined in Rule 144 under the Securities Act) to, resell any of the Securities that have been reacquired by any of them.

(f) During the period of two years after the Closing Date, neither the Company nor any Guarantor will be or become, an open-end investment company, unit investment trust or face-amount certificate company that is or is required to be registered under Section 8 of the Investment Company Act.

(g) The Company will use the proceeds received from the sale of the Securities in the manner specified in the Final Offering Document under the caption "Use of Proceeds."

(h) The Company will obtain the approval of DTC for "book-entry" transfer of the Notes, and comply with all of the agreements set forth in the representations letters of the Company to DTC relating to the approval by DTC of the Notes for "book-entry" transfer.

(i) The Company and the Guarantors will pay all expenses incidental to the performance of its obligations under this Agreement, the Indenture and the Registration Rights Agreement including (i) the fees and expenses of the Trustee and its professional advisers; (ii) all expenses in connection with the execution, issue, authentication, packaging and initial delivery of the Securities, the preparation and printing of this Agreement, the Registration Rights Agreement, the Indenture, the Securities, the Preliminary Offering Document, the Offering Document and amendments and supplements thereto, and any other document relating to the issuance, offer, sale and delivery of the Securities and as applicable, the Exchange Securities; (iii) any expenses (including fees and disbursements of counsel) incurred in connection with qualification of the Securities for sale under the laws of such jurisdictions in the United States as the Representatives designate, subject to the limitations set forth in Section 5(c), and the printing of memoranda relating thereto, (iv) any fees charged by investment rating agencies for the rating of the Securities, (v) the fees and expenses of their legal counsel and accountants, (vi) all expenses incurred in connection with the performance by the Company and the Guarantors of their obligations under the Registration Rights Agreement; and (vii) any expenses incurred in distributing the Preliminary Offering Document or the Offering Document (including any amendments and supplements thereto) to the Purchasers.

(j) In connection with the offering, until the Representatives shall have notified the Company and the other Purchasers of the completion of the resale of the Securities, neither the Company nor any of its affiliates has or will, either alone or with one or more other persons, bid for or purchase for any account in which it or any of its affiliates has a beneficial interest any Securities or attempt to induce any person to purchase any Securities; and neither it nor any of its affiliates will make bids or purchases for the purpose of creating actual, or apparent, active trading in, or of raising the price of, the Securities.

(k) Neither the Company nor any affiliate will sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in the Securities Act) which could be integrated with the sale of the Securities in a manner which would require the registration under the Securities Act of the Securities.

6. Conditions of the Obligations of the Purchasers. The obligations of the several Purchasers to purchase and pay for the Securities on the Closing Date will be subject to the accuracy of the representations and warranties on the part of the Company and the Guarantors herein, to the accuracy of the statements of officers of the Company made pursuant to the provisions hereof, to the performance by the Company and the Guarantors of their obligations hereunder and to the following additional conditions precedent:

(a) The Purchasers shall have received a letter, dated the date of this Agreement, from Ernst & Young LLP in agreed form confirming that they are independent public accountants within the meaning of the Securities Act and the applicable published rules and regulations thereunder ("RULES AND REGULATIONS") and to the effect that:

(i) in their opinion the financial statements examined by them and incorporated by reference in the Offering Document and in the Exchange Act Reports comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the related published Rules and Regulations;

(ii) they have performed the procedures specified by the Public Company Accounting Oversight Board for a review of interim financial information as described in AU 772, Interim Financial Information, on the unaudited financial information incorporated by reference in the Offering Document and in the Exchange Act Reports;

(iii) on the basis of the review referred to in clause (ii) above, a reading of the latest available interim financial information of the Company, inquiries of officials of the Company who have responsibility for financial and accounting matters and other specified procedures, nothing came to their attention that caused them to believe that:

(A) the unaudited financial information and summary of earnings incorporated by reference in Offering Document or in the Exchange Act Reports do not comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the related published Rules and Regulations or any material modifications should be made to unaudited financial statements for them to be in conformity with generally accepted accounting principles;

(B) the unaudited consolidated net sales, net income and income before extraordinary items and net income per share amounts for the 6-month periods ended July 3, 2004 and June 28, 2003 incorporated by reference in the Offering Document were not determined on a basis substantially consistent with that of the corresponding amounts in the audited statements of income; or

(C) at the date of the latest available balance sheet read by such accountants, or at a subsequent specified date not more than three business days prior to the date of this Agreement, there was any decrease in the capital stock or any increase in long-term debt of the Company and its consolidated subsidiaries or, at the date of the latest available balance sheet read by such accountants, there was any decrease in consolidated net current assets or net assets, as compared with amounts shown on the latest balance sheet included or incorporated by reference in the Offering Document or the Exchange Act Reports;

except in all cases set forth in clauses (B) and (C) above for changes, increases or decreases which the Offering Document and Exchange Act Reports disclose have occurred or may occur or which are described in such letter; and

(iv) they have compared specified dollar amounts (or percentages derived from such dollar amounts) and other financial information contained in the Offering Document and the Exchange Act Reports (in each case to the extent that

such dollar amounts, percentages and other financial information are derived from the general accounting records of the Company and its subsidiaries subject to the internal controls of the Company's accounting system or are derived directly from such records by analysis or computation) with the results obtained from inquiries, a reading of such general accounting records and other procedures specified in such letter and have found such dollar amounts, percentages and other financial information to be in agreement with such results, except as otherwise specified in such letter.

(b) Subsequent to the execution and delivery of this Agreement, there shall not have occurred (i) any change, or any development or event involving a prospective change, in the condition (financial or other), business, properties or results of operations of the Company and its subsidiaries taken as one enterprise which, in the judgment of the Representatives, is material and adverse and makes it impractical or inadvisable to proceed with completion of the offering or the sale of and payment for the Securities; (ii) any downgrading in the rating of any debt securities (including convertible debt securities) of the Company by any "nationally recognized statistical rating organization" (as defined for purposes of Rule 436(g) under the Securities Act), or any public announcement that any such organization has under surveillance or review its rating of any debt securities (including convertible debt securities) of the Company (other than an announcement with positive implications of a possible upgrading, and no implication of a possible downgrading, of such rating) or any announcement that the Company has been placed on negative outlook; (iii) any change in U.S. or international financial, political or economic conditions or currency exchange rates or exchange controls as would, in the judgment of the Representatives, be likely to prejudice materially the success of the proposed issue, sale or distribution of the Securities, whether in the primary market or in respect of dealings in the secondary market, (iv) any material suspension or material limitation of trading in securities generally on the New York Stock Exchange, or any setting of minimum prices for trading on such exchange, or any suspension of trading of any securities of the Company on any exchange or in the over-the-counter market; (v) any banking moratorium declared by U.S. Federal or, New York authorities; (vi) any major disruption of settlements of securities or clearance services in the United States or (vii) any attack on, outbreak or escalation of hostilities or act of terrorism involving the United States, any declaration of war by Congress or any other national or international calamity or emergency if, in the judgment of the Representatives, the effect of any such attack, outbreak, escalation, act, declaration, calamity or emergency makes it impractical or inadvisable to proceed with completion of the offering or sale of and payment for the Securities.

(c) The Purchasers shall have received an opinion, dated the Closing Date, of Winston & Strawn LLP, counsel for the Company, that (subject to customary qualifications and exceptions):

(i) The Company, and each of the Guarantors that are organized in Delaware (the "DELAWARE GUARANTORS"), is a business entity duly incorporated or formed, as applicable, validly existing and in good standing under the laws of the State of Delaware and is duly qualified to do business and in good standing as a foreign corporation, foreign limited liability company or foreign limited partnership, as applicable, in each other jurisdiction in which its ownership or lease of property or the conduct of its business requires such qualification, except where the failure to be so qualified and in good standing would not have a Material Adverse Effect; and the Company and each of the Delaware Guarantors has all corporate, limited liability company or limited partnership power and authority, as applicable, necessary to own or hold its properties and to conduct the business in which it is engaged as described in the Offering Document;

(ii) The Purchase Agreement has been duly authorized by all necessary corporate, limited liability company or partnership action, as applicable, on the part of the Company and each of the Delaware Guarantors, and has been duly executed and delivered by the Company and the Guarantors;



(iii) The Registration Rights Agreement has been duly authorized by all necessary corporate, limited liability company or limited partnership action, as applicable, on the part of the Company and each of the Delaware Guarantors, has been duly executed and delivered by the Company and the Guarantors and constitutes a valid and legally binding agreement, enforceable against the Company and each of the Guarantors in accordance with its terms;

(iv) The Indenture has been duly authorized by all necessary corporate, limited liability company or limited partnership action, as applicable, on the part of the Company and each of the Delaware Guarantors, has been duly executed and delivered by the Company and the Guarantors and constitutes a valid and legally binding agreement, enforceable against the Company and each of the Guarantors in accordance with its terms;

(v) The Notes have been duly authorized by all necessary corporate action of the Company and, when executed and authenticated in accordance with the provisions of the Indenture and delivered to and paid for by the Purchasers in accordance with the terms of the Purchase Agreement, will be valid and legally binding obligations of the Company, enforceable against the Company in accordance with their terms and entitled to the benefits of the Indenture;

(vi) The Guarantees have been duly authorized by all necessary corporate, limited liability company or limited partnership action, as applicable, by each of the Delaware Guarantors and, when the Notes are authenticated in accordance with the provisions of the Indenture and delivered to and paid for by the Purchasers in accordance with the terms of the Purchase Agreement, the Guarantees will be valid and legally binding obligations of the Guarantors, enforceable against the Guarantors in accordance with their terms and entitled to the benefits of the Indenture;

(vii) The statements made in the Offering Document under the caption "Description of the notes," insofar as such statements purport to constitute summaries of the legal matters or the terms of certain documents referred to therein, fairly present the information with respect to such legal matters and terms of such documents and fairly summarize the matters referred to therein, in each case, in all material respects;

(viii) The statements made in the Offering Document under the caption "Certain United States federal income tax consequences," insofar as such statements purport to constitute a summary of the United States federal tax laws referred to therein, are accurate and present a fair summary of the United States federal tax laws referred to therein, in each case, in all material respects;

(ix) Neither the Company nor any of the Guarantors is and, immediately after giving effect to the offering and sale of the Securities and the application of the proceeds thereof as described in the Offering Document, will be an "investment company" as such term is defined in the Investment Company Act;

(x) Assuming the accuracy of the representations and warranties, and the performance of the covenants, of the Company, the Guarantors and the Purchasers contained in this Agreement, no registration under the Securities Act of the Securities is required in connection with the sale of the Securities to the Purchasers as contemplated by the Purchase Agreement and the Offering Document or in connection with the initial resale of the Securities by the Purchasers in the manner contemplated by the Purchase Agreement and the Offering Document, and, prior to the effectiveness of a Registration Statement, the Indenture is not required to be qualified under the Trust Indenture Act; and

(xi) No consent, approval, authorization or order of, or filing with, any governmental body or agency or any court of the State of New York or the United States of America or in relation to the Delaware General Corporation Law, the Delaware Limited Liability Company Act or the Delaware Revised Uniform Limited Partnership Act is required for the performance by the Company under the Purchase Agreement, the Registration Rights Agreement and the Indenture in connection with the issuance or sale of the Notes (except such filings, consents, authorizations, permits, orders and other matters which may be required under (a) applicable "blue sky" or state securities laws or the laws of any country other than the United States in connection with the offer and sale of the Notes and (b) Federal and state securities laws with respect to the obligations of the Company under the Registration Rights Agreement, as to which no opinion need be expressed);

In addition, such counsel shall state that they have participated in conferences with officers and representatives of the Company, representatives of the independent public accountants of the Company, and representatives of the Representatives at which the contents of the Offering Document and related matters were discussed, they have not independently verified and are not passing upon and assume no responsibility for the accuracy, completeness or fairness of the statements contained in the Offering Document (except as set forth in paragraphs (vii) and (viii) above), and have made no independent check or verification thereof. However, based on the foregoing, no facts have come to their attention which caused them to believe that the Offering Document (including the Exchange Act Reports incorporated by reference therein filed prior to the Closing Date) as of its date and at such Closing Date, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (it being understood that such counsel will express no belief as to the financial statements or other financial data and accounting information included or incorporated by reference in or omitted from the Offering Document).

(d) The Purchasers shall have received an opinion, dated such Closing Date, of Daniel A. Ninivaggi, general counsel of the Company, that (subject to customary qualifications and exceptions):

(i) Except as otherwise disclosed in the Offering Memorandum, the capital stock, membership interests and partnership interests, as the case may be, of each of the Delaware Guarantors is owned, directly or through subsidiaries, by the Company, free and clear of all liens, encumbrances and defects, except for those liens and encumbrances permitted under the terms of the Indenture;

(ii) The execution, delivery and performance of the Company and each of the Delaware Guarantors of its obligations under the Purchase Agreement, the Registration Rights Agreement, the Indenture, the Securities (in the case of the Company) and the Guarantees (in the case of each of the Delaware Guarantors) and the issuance and sale of the Securities and compliance with the terms and provisions thereof, will not (a) to the best of such counsel's knowledge, violate or result in a breach in any material respect of any of the terms or provisions of any agreement or other instrument to which the Company or any of its subsidiaries is a party that is material to the Company and its subsidiaries, taken as a whole, (b) violate or result in a breach of any term of the Certificate of Incorporation, Certificate of Formation or Certificate of Limited Partnership, as applicable, of the Company or any of the Delaware Guarantors, each as currently in effect, (c) violate the By-laws of the Company or any of the Delaware Guarantors that is a corporation, each as currently in effect, the Operating Agreement of Lear Technologies LLC, as currently in effect, the Limited Partnership Agreement of Lear Midwest Automotive, Limited Partnership, as currently in effect or (d) violate or contravene any applicable law or, to the best of such counsel's knowledge, any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any of the Delaware Guarantors;

(iii) The Company has full power and authority to authorize, issue and sell the Notes as contemplated by this Agreement; and

(iv) Except as disclosed in the Offering Document, there is no legal or governmental proceeding pending or, to the best knowledge of such counsel, after due inquiry, threatened to which the Company or any of its subsidiaries is a party, or to which any of their respective properties are subject, other than proceedings which such counsel believes would not reasonably be expected to have a material adverse effect upon the Company and its subsidiaries, taken as a whole.

(e) The Purchasers shall have received an opinion, dated the Closing Date, of Baker & McKenzie, S.C., counsel for Lear Corporation Mexico S.A. de C.V., and of Squire, Sanders & Dempsey L.L.P., counsel for Lear Automotive (EEDS) Spain S.L., that (subject to customary qualifications and exceptions):

(i) The relevant Guarantor has been duly incorporated and is an existing corporation in good standing under the laws of the jurisdiction of its incorporation, with power and authority (corporate and other) to own its properties and conduct its business as presently conducted;

(ii) This Agreement, the Indenture and the Registration Rights Agreement have been duly authorized, executed and delivered by the relevant Guarantor; the Guarantees issued on the Closing Date have been duly authorized, executed, authenticated, and issued; and the Indenture, the Registration Rights Agreement, and the Guarantees delivered on the Closing Date constitute valid and legally binding obligations of such Guarantor enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles;

(iii) No consent, approval, authorization or order of, or filing with, any governmental agency or body or any court is required for the consummation of the transactions contemplated by this Agreement, the Registration Rights Agreement and the Indenture in connection with the issuance and sale of the Notes by the Company and the issuance of the Guarantees by the relevant Guarantor, except such as may be required under state securities laws except for the order of the Commission declaring the Registration Statement effective; and

(iv) The execution, delivery and performance of the Indenture, this Agreement and the Registration Rights Agreement by the relevant Guarantor, and the issuance and sale of the Securities and compliance with the terms and provisions thereof will not result in a breach or violation of any of the terms and provisions of, or constitute a default under, any statute, any rule, regulation or order of any governmental agency or body or any court having jurisdiction over such Guarantor or any of its properties, or any agreement or instrument to which such Guarantor is a party or by which such Guarantor or any of its subsidiaries is bound or to which any of the properties of the Company or any such subsidiary is subject, or the charter or by-laws of such Guarantor or any of its subsidiaries, and such Guarantor has full power and authority to authorize and issue the Guarantees as contemplated by this Agreement.

(f) The Purchasers shall have received from Simpson Thacher & Bartlett LLP, counsel for the Purchasers, such opinion or opinions, dated the Closing Date, with respect to the incorporation of the Company, the validity of the Securities, the Offering Memorandum, the exemption from registration for the offer and sale of Securities by the Company to the several Purchasers and the resales by the several Purchasers as contemplated hereby and other related matters as the

Representatives may require, and the Company shall have furnished to such counsel such documents as they request for the purpose of enabling them to pass upon such matters.

(g) The Purchasers shall have received a certificate, dated the Closing Date, of the Vice Chairman, President or any Senior Vice President or Vice President and a principal financial or accounting officer of the Company in which such officers, to the best of their knowledge after reasonable investigation, shall state that the representations and warranties of the Company in this Agreement are true and correct, that the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to the Closing Date, and that, subsequent to the respective dates of the most recent financial statements in the Offering Document (including the Exchange Act Reports incorporated by reference therein but exclusive of any amendments or supplements thereto subsequent to the date of this Agreement) there has been no material adverse change, nor any development or event involving a prospective material adverse change, in the condition (financial or other), business, properties or results of operations of the Company and its subsidiaries taken as a whole except as set forth in or contemplated by the Offering Document or as described in such certificate.

(h) The Purchasers shall have received a letter, dated the Closing Date, of Ernst & Young LLP which meets the requirements of subsection (a) of this Section, except that the specified date referred to in such subsection will be a date not more than three days prior to the Closing Date for the purposes of this subsection.

(i) The Purchasers and their counsel shall have received such other documents and certifications as they may reasonably request.

Documents described as being "in the agreed form" are documents that are in the forms which have been initialed for the purpose of identification by Simpson Thacher & Bartlett LLP, copies of which are held by the Company and the Representatives, with such changes as the Representatives may approve.

The Company will furnish the Purchasers with such conformed copies of such opinions, certificates, letters and documents as the Purchasers reasonably request. The Representatives may in their sole discretion waive on behalf of the Purchasers compliance with any conditions to the obligations of the Purchasers hereunder.

## 7. Indemnification and Contribution.

(a) Each of the Company and the Guarantors jointly and severally will indemnify and hold harmless each Purchaser, its partners, directors and officers and each person, if any, who controls such Purchaser within the meaning of Section 15 of the Securities Act, against any losses, claims, damages or liabilities, joint or several, to which such Purchaser may become subject, under the Securities Act or the Exchange Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Offering Document, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, including any losses, claims, damages or liabilities arising out of or based upon the Company's failure to perform its obligations under Section 5(a) of this Agreement, and will reimburse each Purchaser for any legal or other expenses reasonably incurred by such Purchaser in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that neither the Company nor the Guarantors will be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement in or omission or alleged omission from any of such documents in reliance upon and in conformity with written information furnished to the Company by any Purchaser through the Representatives specifically for use therein, it being

understood and agreed that the only such information consists of the information described as such in subsection (b) below.

(b) The Purchasers will severally and not jointly indemnify and hold harmless the Company and the Guarantors, their directors and officers and each person, if any, who controls the Company or the Guarantors within the meaning of Section 15 of the Securities Act, against any losses, claims, damages or liabilities to which the Company or any Guarantor may become subject, under the Securities Act or the Exchange Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Offering Document, or any amendment or supplement thereto, or arise out of or are based upon the omission or the alleged omission to state therein a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by such Purchaser through the Representatives specifically for use therein, and will reimburse any legal or other expenses reasonably incurred by the Company or any Guarantor in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred, it being understood and agreed that the only such information furnished by any Purchaser consists of (i) the following information in the Offering Document: the third paragraph under the caption "Plan of distribution"; provided, however, that the Purchasers shall not be liable for any losses, claims, damages or liabilities arising out of or based upon the Company's failure to perform its obligations under Section 5(a) of this Agreement.

(c) Promptly after receipt by an indemnified party under this Section of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under subsection (a) or (b) above, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party otherwise than under subsection (a) or (b) above. In any such proceeding, the indemnifying party shall be entitled to participate in such proceeding and, to the extent that it so elects, jointly with any other similarly notified indemnifying party, to assume the defense thereof, subject to the right of the indemnified party to retain its own counsel, be separately represented and to direct its own defense if (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and the indemnified party has been advised by counsel that representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. In any proceeding described in clause (i) or (ii) of the preceding sentence, the fees and expenses of counsel retained by the indemnified party shall be at the expense of the indemnifying party. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified parties in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties and that all such fees and expenses shall be reimbursed as they are incurred. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party unless such settlement includes (i) an unconditional release of such indemnified party from all liability on any claims that are the subject matter of such action and (ii) does not include a statement as to or an admission of fault, culpability or failure to act by or on behalf of any indemnified party.

(d) If the indemnification provided for in this Section is unavailable or insufficient to hold harmless an indemnified party under subsection (a) or (b) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in subsection (a) or (b) above (i) in such proportion as is appropriate

to reflect the relative benefits received by the Company and the Guarantors on the one hand and the Purchasers on the other from the offering of the Securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Guarantors on the one hand and the Purchasers on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities as well as any other relevant equitable considerations. The relative benefits received by the Company and the Guarantors on the one hand and the Purchasers on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total discounts and commissions received by the Purchasers from the Company under this Agreement. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company and the Guarantors or the Purchasers and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any action or claim which is the subject of this subsection (d). Notwithstanding the provisions of this subsection (d), no Purchaser shall be required to contribute any amount in excess of the amount by which the total price at which the Securities purchased by it were resold exceeds the amount of any damages which such Purchaser has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. The Purchasers' obligations in this subsection (d) to contribute are several in proportion to their respective purchase obligations and not joint.

(e) The obligations of the Company and the Guarantors under this Section shall be in addition to any liability which the Company and the Guarantors may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Purchaser within the meaning of the Securities Act or the Exchange Act; and the obligations of the Purchasers under this Section shall be in addition to any liability which the respective Purchasers may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls the Company and each Guarantor within the meaning of the Securities Act or the Exchange Act.

8. Default of Purchasers. If any Purchaser or Purchasers default in their obligations to purchase Securities hereunder on the Closing Date and the aggregate principal amount at maturity of Securities that such defaulting Purchaser or Purchasers agreed but failed to purchase does not exceed 10% of the total principal amount Securities that the Purchasers are obligated to purchase on the Closing Date, the Representatives may make arrangements satisfactory to the Company for the purchase of such Securities by other persons, including any of the Purchasers, but if no such arrangements are made by the Closing Date, the non-defaulting Purchasers shall be obligated severally, in proportion to their respective commitments hereunder, to purchase the Securities that such defaulting Purchasers agreed but failed to purchase on the Closing Date. If any Purchaser or Purchasers so default and the aggregate principal amount at maturity of Securities with respect to which such default or defaults occur exceeds 10% of the total principal amount of Securities that the Purchasers are obligated to purchase on the Closing Date and arrangements satisfactory to the Representatives and the Company for the purchase of such Securities by other persons are not made within 36 hours after such default, this Agreement will terminate without liability on the part of any non-defaulting Purchaser or the Company, except as provided in Section 9. As used in this Agreement, the term "Purchaser" includes any person substituted for a Purchaser under this Section. Nothing herein will relieve a defaulting Purchaser from liability for its default.

9. Survival of Certain Representations and Obligations. The respective indemnities, agreements, representations, warranties and other statements of the Company and the Guarantors or their officers and of the several Purchasers set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation, or statement as to the results thereof, made by or on behalf of any Purchaser, the Company, the Guarantors or any of their respective representatives, officers or directors or any controlling

person, and will survive delivery of and payment for the Securities. If this Agreement is terminated pursuant to Section 8 or if for any reason the purchase of the Securities by the Purchasers is not consummated, the Company and the Guarantors shall remain responsible for the expenses to be paid or reimbursed by it pursuant to Section 5 and the respective obligations of the Company, the Guarantors and the Purchasers pursuant to Section 7 shall remain in effect and if any Securities have been purchased hereunder the representations and warranties in Section 2 and all obligations under Section 5 shall also remain in effect. If the purchase of the Securities by the Purchasers is not consummated for any reason other than solely because of the termination of this Agreement pursuant to Section 8 or the occurrence of any event specified in clause (iii), (iv), (v), (vi) or (vii) of Section 6(b), the Company and the Guarantors will reimburse the Purchasers for all out-of-pocket expenses (including fees and disbursements of counsel) reasonably incurred by them in connection with the offering of the Securities.

10. Notices. All communications hereunder will be in writing and, if sent to the Purchasers, will be mailed, delivered or telegraphed and confirmed to the Purchasers, c/o J.P. Morgan Securities Inc., 270 Park Avenue, New York, New York 10017, Attention: High Grade Syndicate Desk and Merrill Lynch, Pierce, Fenner & Smith Incorporated, World Financial Center, 250 Vesey Street, New York, New York 10080, Attention: Paul Nagle, with a copy, which shall not constitute notice of the Purchasers, to Simpson Thacher & Bartlett LLP, 425 Lexington Avenue, New York, NY 10017 Attention: John D. Lobrano, or, if sent to the Company or the Guarantors, will be mailed, delivered or telegraphed and confirmed to it at Lear Corporation, 21557 Telegraph Road, Southfield, MI 48034, Attention: David Wajsgras, with a copy, which shall not constitute notice to the Company or the Guarantors, to Winston & Strawn LLP, 35 W. Wacker Drive, Chicago, IL 60601, Attention: John L. MacCarthy; provided, however, that any notice to a Purchaser pursuant to Section 7 will be mailed, delivered or telegraphed and confirmed to such Purchaser.

11. Successors. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the controlling persons referred to in Section 7, and no other person will have any right or obligation hereunder, except that holders of Securities shall be entitled to enforce the agreements for their benefit contained in the second and third sentences of Section 5(b) hereof against the Company as if such holders were parties thereto.

12. Representation of Purchasers. J.P. Morgan Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Representatives, will act for the several Purchasers in connection with this purchase, and any action under this Agreement taken by you will be binding upon all the Purchasers.

13. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement.

14. APPLICABLE LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. The Company and each of the Guarantors hereby submits to the non-exclusive jurisdiction of the Federal and state courts in the Borough of Manhattan in The City of New York in any suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

If the foregoing is in accordance with the Purchasers' understanding of our agreement, kindly sign and return to us one of the counterparts hereof, whereupon it will become a binding agreement among the Company, the Guarantors and the several Purchasers in accordance with its terms.

Very truly yours,

LEAR CORPORATION

By /s/ David C. Wajsgras

-----  
Title Senior Vice President and  
Chief Financial Officer

LEAR OPERATIONS CORPORATION

By /s/ David C. Wajsgras

-----  
Title Vice President

LEAR SEATING HOLDINGS CORP. #50

By /s/ David C. Wajsgras

-----  
Title Vice President and Treasurer

LEAR CORPORATION EEDS AND INTERIORS

By /s/ David C. Wajsgras

-----  
Title Vice President and  
Chief Financial Officer

LEAR TECHNOLOGIES, LLC

By /s/ David C. Wajsgras

-----  
Title Senior Vice President and  
Chief Financial Officer of Lear  
Corporation, its Sole Member

LEAR MIDWEST AUTOMOTIVE, LIMITED  
PARTNERSHIP

By /s/ David C. Wajsgras

-----  
Title Vice President and Treasurer of  
Lear Corporation Mendon,  
its General Partner

LEAR AUTOMOTIVE (EEDS) SPAIN S.L.

By /s/ David C. Wajsgras

-----  
Title By Power of Attorney

LEAR CORPORATION MEXICO, S.A. DE C.V.

By /s/ David C. Wajsgras

-----  
Title By Power of Attorney



The foregoing Purchase Agreement  
is hereby confirmed and accepted  
as of the date first above written.

J.P. MORGAN SECURITIES INC.

By /s/ Maria Sramek

-----  
Title Vice President

MERRILL LYNCH & CO.  
MERRILL LYNCH, PIERCE, FENNER & SMITH  
INCORPORATED

By /s/ Paul Nagle

-----  
Title Managing Director

Acting on behalf of itself  
and as the Representatives  
of the several Purchasers

SCHEDULE A

PURCHASER -----	PRINCIPAL AMOUNT OF NOTES -----
J.P. Morgan Securities Inc.....	\$ 140,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	140,000,000
Banc of America Securities LLC.....	40,000,000
Deutsche Bank Securities Inc.....	40,000,000
ABN AMRO Incorporated.....	11,428,000
BNP Paribas Securities Corp.....	11,428,000
Calyon Securities (USA) Inc.....	11,432,000
Mizuho International plc.....	11,428,000
Scotia Capital (USA) Inc.....	11,428,000
SunTrust Capital Markets, Inc.....	11,428,000
Wachovia Capital Markets, LLC.....	11,428,000
	-----
Total.....	\$ 400,000,000 =====

SCHEDULE B

Guarantors

Name ----	Jurisdiction of Organization -----
Lear Operations Corporation	Delaware
Lear Seating Holdings Corp. #50	Delaware
Lear Corporation EEDS and Interiors	Delaware
Lear Technologies, LLC	Delaware
Lear Midwest Automotive, Limited Partnership	Delaware
Lear Automotive (EEDS) Spain S.L.	Spain
Lear Corporation Mexico, S.A. de C.V.	Mexico

\$400,000,000

LEAR CORPORATION

5-3/4% SENIOR NOTES DUE 2014

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement ("Agreement") is made and entered into as of August 3, 2004, among Lear Corporation, a Delaware corporation (the "Company"), the Guarantors listed on Schedule B hereto (each a "Guarantor" and together, the "Guarantors"), and J.P. Morgan Securities Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Banc of America Securities LLC, Deutsche Bank Securities Inc., ABN AMRO Incorporated, BNP Paribas Securities Corp., Calyon Securities (USA) Inc., Mizuho International plc, Scotia Capital (USA) Inc., SunTrust Capital Markets, Inc., and Wachovia Capital Markets, LLC, as initial purchasers pursuant to the Purchase Agreement (as defined below) (the "Initial Purchasers").

This Agreement is made pursuant to the purchase agreement dated July 29, 2004, among the Company, the Guarantors and the Initial Purchasers (the "Purchase Agreement"), which provides for the sale by the Company to the Initial Purchasers of \$400,000,000 aggregate principal amount of the Company's 5-3/4% Senior Notes due 2014 (the "Notes") to be guaranteed on a joint and several basis by the Guarantors. The Notes and the guarantees of the Guarantors (the "Guarantees" and, together with the Notes, the "Securities") are to be issued pursuant to the provisions of an Indenture dated as of August 3, 2004 (the "Indenture") among the Company, the Guarantors and BNY Midwest Trust Company, as trustee (the "Trustee"). In order to induce the Initial Purchasers to enter into the Purchase Agreement, the Company and the Guarantors have agreed to provide to the Initial Purchasers and their direct and indirect permitted transferees the registration rights set forth in this Agreement. The execution of this Agreement is a condition to the closing under the Purchase Agreement.

In consideration of the foregoing, the parties hereto agree as follows:

1. Definitions. As used in this Agreement, the following capitalized defined terms shall have the following meanings:

"CLOSING DATE" shall mean the Closing Date as defined in the Purchase Agreement.

"COMMISSION" shall mean the Securities and Exchange Commission.

"COMPANY" shall have the meaning set forth in the preamble and shall also include the Company's successors.

"EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as amended from time to time.

"EXCHANGE OFFER" shall mean the exchange offer by the Company and the Guarantors of Exchange Securities for Registrable Securities pursuant to Section 2(a) hereof.

"EXCHANGE OFFER REGISTRATION" shall mean a registration under the Securities Act effected pursuant to Section 2(a) hereof.

"EXCHANGE OFFER REGISTRATION STATEMENT" shall mean an exchange offer registration statement on Form S-4 (or, if applicable, on another appropriate form) and all amendments and supplements to such registration statement, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"EXCHANGE SECURITIES" shall mean securities issued by the Company and the Guarantors under the Indenture containing terms identical to the Securities (except that the Exchange Securities will not contain restrictions on transfer nor shall additional interest accrue with respect to such securities) and to be offered to Holders of Securities in exchange for Securities pursuant to the Exchange Offer.

"GUARANTORS" shall have the meaning set forth in the preamble and shall also include each Guarantor's successors.

"HOLDER" shall mean the Initial Purchasers, for so long as they own any Registrable Securities, and each of their successors, assigns and direct and indirect permitted transferees who become registered owners of Registrable Securities under the Indenture; provided that for purposes of Sections 4 and 5 of this Agreement, the term "Holder" shall include Participating Broker-Dealers (as defined in Section 4(a)).

"INDENTURE" shall have the meaning set forth in the preamble and shall include the Indenture as the same may be amended from time to time in accordance with the terms thereof.

"INITIAL PURCHASERS" shall have the meaning set forth in the preamble.

"MAJORITY HOLDERS" shall mean the Holders of a majority of the aggregate principal amount of outstanding Registrable Securities.

"PERSON" shall mean an individual, partnership, limited liability company, corporation, trust or unincorporated organization, or a government or agency or political subdivision thereof.

"PROSPECTUS" shall mean the prospectus included in a Registration Statement, including any preliminary prospectus, and any such prospectus as amended or supplemented by any prospectus supplement, including a prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by a Shelf Registration Statement, and by all other amendments and supplements to such prospectus, and in each case including all material incorporated by reference therein.

"PURCHASE AGREEMENT" shall have the meaning set forth in the preamble.

"REGISTRABLE SECURITIES" shall mean the Securities; provided, however, that any Securities shall cease to be Registrable Securities when:

(i) such Securities have been exchanged for Exchange Securities in the Exchange Offer;

(ii) a Registration Statement with respect to such Securities shall have been declared effective under the Securities Act and such Securities shall have been disposed of pursuant to such Registration Statement;

(iii) such Securities have been distributed to the public pursuant to Rule 144 under the Securities Act (or any similar provision then in force) or are eligible for sale without restriction pursuant to Rule 144(k) (or any similar provision then in force, but not Rule 144A) under the Securities Act; or

(iv) such Securities shall have ceased to be outstanding.

"REGISTRATION EXPENSES" shall mean any and all expenses incident to performance of or compliance by the Company and the Guarantors with this Agreement, including without limitation:

(i) all Commission, stock exchange or National Association of Securities Dealers, Inc. registration and filing fees;

(ii) all fees and expenses incurred in connection with compliance with state securities or Blue Sky laws (including reasonable fees and disbursements of counsel to any underwriters or Holders in connection with Blue Sky qualification of any of the Exchange Securities or Registrable Securities, if required pursuant to this Agreement);

(iii) all expenses of any Persons engaged by the Company or the Guarantors in preparing or assisting in preparing, word processing, printing and distributing any Registration Statement, any Prospectus, any amendments or supplements thereto, any underwriting agreements, securities sales agreements and other documents relating to the performance of and compliance with this Agreement;

(iv) all rating agency fees;

(v) all fees and disbursements relating to the qualification of the Indenture under applicable securities laws;

(vi) the reasonable fees and disbursements of the Trustee and its counsel;

(vii) the fees and disbursements of counsel to the Company and the Guarantors and, in the case of a Shelf Registration Statement, the reasonable fees and disbursements of one counsel to the Holders (which counsel shall be selected by the Majority Holders and which counsel may also be counsel to the Initial Purchasers); and

(viii) the fees and disbursements of the independent public accountants engaged by the Company and the Guarantors, including the expenses of any special audits or "cold comfort" letters required by or incident to such performance and compliance, but excluding fees and expenses of counsel to the underwriters (other than fees and expenses set forth in clause (ii) above) or the Holders and underwriting discounts and commissions and transfer taxes, if any, relating to the sale or disposition of Registrable Securities by a Holder.

"REGISTRATION STATEMENT" shall mean any registration statement of the Company and the Guarantors that covers any of the Exchange Securities or Registrable Securities pursuant to the provisions of this Agreement and all amendments and supplements to any such Registration Statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"SECURITIES ACT" shall mean the Securities Act of 1933, as amended from time to time.

"SHELF REGISTRATION" shall mean a Registration effected pursuant to Section 2(b) hereof.

"SHELF REGISTRATION STATEMENT" shall mean a "shelf" registration statement of the Company and the Guarantors pursuant to the provisions of Section 2(b) of this Agreement which covers all of the Registrable Securities (but no other securities unless approved by the Holders whose Registrable Securities are covered by such Shelf Registration Statement) on an appropriate form under Rule 415 under the Securities Act, or any similar rule that may be adopted by the Commission, and all amendments and supplements to such registration statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"TRUSTEE" shall mean the trustee with respect to the Securities under the Indenture.

"UNDERWRITER" shall have the meaning set forth in Section 3 hereof.

"UNDERWRITTEN REGISTRATION" or "UNDERWRITTEN OFFERING" shall mean a registration in which Registrable Securities are sold to an Underwriter for reoffering to the public.

2. Registration Under the Securities Act. (a) To the extent not prohibited by any applicable law or applicable interpretation of the Staff of the Commission, the Company and the Guarantors shall use their reasonable best efforts to cause to be filed an Exchange Offer Registration Statement covering the offer by the Company and the Guarantors to the Holders to exchange all of the Registrable Securities for Exchange Securities, to have the Exchange Offer Registration Statement declared effective within 285 days of the Closing Date and to have such Registration Statement remain effective until the closing of the Exchange Offer. The Company and the Guarantors shall commence the Exchange Offer promptly after the Exchange Offer Registration Statement has been declared effective by the Commission and use their reasonable best efforts to consummate the Exchange Offer within 30 business days of the effective date of the Exchange Offer Registration Statement. The Company and the Guarantors shall commence the Exchange Offer by mailing the related Exchange Offer Prospectus and accompanying documents to each Holder stating, in addition to such other disclosures as are required by applicable law:

(i) that the Exchange Offer is being made pursuant to this Registration Rights Agreement and that all Registrable Securities validly tendered will be accepted for exchange;

(ii) the dates of acceptance for exchange (which shall be a period of at least 20 business days from the date such notice is mailed) (the "Exchange Dates");

(iii) that any Registrable Security not tendered will remain outstanding and continue to accrue interest, but will not retain any rights under this Registration Rights Agreement;

(iv) that Holders electing to have a Registrable Security exchanged pursuant to the Exchange Offer will be required to surrender such Registrable Security, together with the enclosed letters of transmittal, to the institution and at the address (located in the Borough of Manhattan, The City of New York) specified in the notice prior to the close of business on the last Exchange Date; and

(v) that Holders will be entitled to withdraw their election, not later than the close of business on the last Exchange Date, by sending to the institution and at the address (located in the Borough of Manhattan, The City of New York) specified in the notice a telegram, telex, facsimile transmission or letter setting forth the name of such Holder, the principal amount of Registrable Securities delivered for exchange and a statement that such Holder is withdrawing his election to have such Securities exchanged.

As soon as practicable after the last Exchange Date, the Company and the Guarantors shall:

(i) accept for exchange Registrable Securities or portions thereof tendered and not validly withdrawn pursuant to the Exchange Offer; and

(ii) deliver, or cause to be delivered, to the Trustee for cancellation all Registrable Securities or portions thereof so accepted for exchange by the Company and the Guarantors and issue, and cause the Trustee to promptly authenticate and mail to each Holder, an Exchange Security equal in principal amount to the principal amount of the Registrable Securities surrendered by such Holder.

The Company and the Guarantors shall use their reasonable best efforts to complete the Exchange Offer as provided above and shall comply with the applicable requirements of the Securities Act, the Exchange Act and other applicable laws and regulations in connection with the Exchange Offer. The Exchange Offer shall not be subject to any conditions, other than that the Exchange Offer does not violate applicable law or any applicable interpretation of

the Staff of the Commission. The Company shall inform the Initial Purchasers of the names and addresses of the Holders to whom the Exchange Offer is made, and the Initial Purchasers shall have the right, subject to applicable law, to contact such Holders and otherwise facilitate the number of Registrable Securities in the Exchange Offer.

For a period of 90 days after the last Exchange Date, the Company and the Guarantors shall also use their reasonable best efforts to make available a prospectus meeting the requirements of the Securities Act which may be the Prospectus contained in the Exchange Offer Registration Statement or the Prospectus contained in a Shelf Registration Statement, as such Registration Statements may be amended or supplemented from time to time, to Holders which are broker-dealers (and which identify themselves as such) in connection with resales of Exchange Securities received in exchange for Registrable Securities, where such Registrable Securities were acquired by such broker-dealers for their own account as a result of market-making or other trading activities; provided that each Holder which is a broker-dealer agrees that, upon receipt of notice from the Company of the occurrence of any event which makes any statement in the Prospectus untrue in any material respect or which requires the making of any changes in the Prospectus in order to make the statements therein not misleading (which notice the Company agrees to deliver promptly to such broker-dealer), such broker-dealer will suspend use of the Prospectus until the Company has amended or supplemented the Prospectus to correct such misstatement or omission and has furnished copies of the amended or supplemented Prospectus to such broker-dealer. If the Company shall give any such notice to suspend the use of the Prospectus, it shall extend the 90-day period referred to above by the number of days during the period from and including the date of the giving of such notice to and including the date when broker-dealers shall have received copies of the supplemented or amended Prospectus necessary to permit resales of the Exchange Securities.

In the event that, at the last Exchange Date, any of the Initial Purchasers shall not have sold all of the Registrable Securities initially purchased from the Company and the Guarantors by such Initial Purchaser to unaffiliated investors, upon such Initial Purchaser's written request (made within 10 days after the last Exchange Date), the Company and the Guarantors will use their reasonable best efforts to file promptly, or if so requested by any Initial Purchaser, on a later date (which date shall not exceed the date that is six months after the Exchange Date), a Shelf Registration Statement or a post-effective amendment to the Exchange Offer Registration Statement, if acceptable to the Commission, to register all such Registrable Securities for all such Initial Purchasers. The Company and the Guarantors will keep such Shelf Registration Statement or other Registration Statement effective and make available to such Initial Purchasers a Prospectus meeting the requirements of the Securities Act for a period of 120 days, provided that each such Initial Purchaser agrees that, upon receipt of notice from the Company of the happening of any event which makes any statement in the Prospectus untrue in any material respect or which requires the making of any changes in the Prospectus in order to make the statements therein not materially misleading (which notice the Company agrees to deliver promptly to such Initial Purchasers), such Initial Purchaser will suspend use of the Prospectus until the Company has amended or supplemented the Prospectus to correct such misstatement or omission and has furnished copies of the amended or supplemented Prospectus to such Initial Purchaser. If the Company shall give any such notice to suspend the use of the Prospectus, it shall extend the 120-day period referred to above by the number of days during the period from and including the date of the giving of such notice to and including the date when such Initial Purchasers shall have received copies of the supplemented or amended Prospectus necessary to permit sales of their Securities.

(b) In the event that:

(i) the Company determines that the Exchange Offer Registration provided for in Section 2(a) above is not available or may not be consummated as soon as practicable after the last Exchange Date because it would violate applicable law or the applicable interpretations of the Staff of the Commission;

(ii) the Exchange Offer is not for any other reason consummated within 30 business days of the 285th day after the Closing Date; or



(iii) the Exchange Offer has been completed, a Holder was not permitted to participate in the Exchange Offer or did not receive freely transferable Exchange Securities pursuant to the Exchange Offer and in the written opinion of counsel to the Initial Purchasers (a copy of which is furnished to the Company) a Registration Statement must be filed and a Prospectus must be delivered by the Initial Purchasers in connection with any offering or sale of Registrable Securities,

the Company and the Guarantors shall use their reasonable best efforts to cause to be filed as soon as practicable after such determination, date or notice of such opinion of counsel is given to the Company and the Guarantors, as the case may be, a Shelf Registration Statement providing for the sale by the Holders of all of the Registrable Securities and to have such Shelf Registration Statement declared effective by the Commission. In the event the Company and the Guarantors are required to file a Shelf Registration Statement solely as a result of the matters referred to in clause (iii) of the preceding sentence, the Company and the Guarantors shall use their reasonable best efforts to file and have declared effective by the Commission both an Exchange Offer Registration Statement pursuant to Section 2(a) with respect to all Registrable Securities eligible to be included therein and a Shelf Registration Statement (which may be a combined Registration Statement with the Exchange Offer Registration Statement) with respect to offers and sales of Registrable Securities held by the Initial Purchasers after completion of the Exchange Offer. The Company and the Guarantors agree to use their reasonable best efforts to keep the Shelf Registration Statement continuously effective until the Securities covered thereby cease to be Registrable Securities. The Company and the Guarantors further agree to supplement or amend the Shelf Registration Statement if required by the rules, regulations or instructions applicable to the registration form used by the Company and the Guarantors for such Shelf Registration Statement or by the Securities Act or by any other rules and regulations thereunder for shelf registration or if reasonably requested by a Holder with respect to information relating to such Holder, and to use its reasonable best efforts to cause any such amendment to become effective and such Shelf Registration Statement to become usable as soon as thereafter practicable. The Company agrees to furnish to the Holders of Registrable Securities copies of any such supplement or amendment promptly after its being used or filed with the Commission.

(c) The Company and the Guarantors shall pay all Registration Expenses in connection with the registration pursuant to Section 2(a) and Section 2(b). Each Holder shall pay all underwriting discounts and commissions and transfer taxes, if any, relating to the sale or disposition of such Holder's Registrable Securities pursuant to the Shelf Registration Statement.

(d) An Exchange Offer Registration Statement pursuant to Section 2(a) hereof or a Shelf Registration Statement pursuant to Section 2(b) hereof will not be deemed to have become effective unless it has been declared effective by the Commission; provided, however, that, if, after it has been declared effective, the offering of Registrable Securities pursuant to a Shelf Registration Statement is interfered with by any stop order, injunction or other order or requirement of the Commission or any other governmental agency or court, such Registration Statement will be deemed not to have become effective during the period of such interference until the offering of Registrable Securities pursuant to such Registration Statement may legally resume.

If the Company or the Guarantors fail to comply with the above provisions, additional interest (the "Additional Interest") shall be assessed as follows:

(i) If an Exchange Offer Registration Statement or Shelf Registration Statement is not declared effective within 285 days following the Closing Date, then commencing on the 286th day after the Closing Date, Additional Interest shall be accrued on the Registrable Securities affected thereby over and above the accrued interest at a rate of 0.25% per annum; or

(ii) If either (A) the Company and the Guarantors have not exchanged Exchange Securities for all Securities validly tendered in accordance with the terms of the Exchange Offer on or prior to 30 business days after the date on which the Exchange Offer Registration Statement was declared effective, or

(B) if applicable, the Shelf Registration Statement has been declared effective but such Shelf Registration Statement ceases to be effective at any time prior to the expiration of the period referred to in Rule 144(k), then Additional Interest shall be accrued on the Registrable Securities affected thereby over and above the accrued interest at a rate of 0.25% per annum immediately following the (x) 31st business day after such effective date, in the case of (A) above, or (y) the day such Shelf Registration Statement ceases to be effective in the case of (B) above:

provided, however, that the Additional Interest rate on the Registrable Securities may in no event exceed 0.25% per annum; and, provided, further, that Additional Interest on the Registrable Securities as a result of such clause (i) or (ii) shall cease to accrue upon:

(1) the effectiveness of the Exchange Offer Registration Statement or Shelf Registration Statement (in the case of (i) above); or

(2) the exchange of Exchange Securities for all Securities tendered or upon the effectiveness of the Shelf Registration Statement which had ceased to remain effective prior to the expiration of the period referred to in Rule 144(k) (in the case of (ii) above).

Any amounts of Additional Interest due pursuant to clauses (i) or (ii) above will be payable in cash, on the same original payment dates of the Securities. The amount of Additional Interest will be determined by multiplying the applicable Additional Interest rate by the principal amount of the Registrable Securities, multiplied by a fraction, the numerator of which is the number of days such Additional Interest rate was applicable during such period (determined on the basis of a 360-day year comprised of twelve 30-day months), and the denominator of which is 360.

Additional Interest shall not apply in the event that a Shelf Registration Statement is required to be filed solely as a result of the matters referred to in clause (iii) of Section 2(b) and shall not apply to Securities that cease to be Registrable Securities.

(e) The accrual and payment of Additional Interest, as set forth in Section 2(d), shall be the sole and exclusive remedy of the Holders and the Initial Purchasers against the Company and the Guarantors for the breach by the Company or the Guarantors of any of their obligations under Section 2.

3. Registration Procedures. In connection with the obligations of the Company and the Guarantors with respect to the Registration Statements pursuant to Section 2(a) and Section 2(b) hereof, the Company and the Guarantors shall:

(a) prepare and file with the Commission a Registration Statement on the appropriate form under the Securities Act, which form (x) shall be selected by the Company and the Guarantors, (y) shall, in the case of a Shelf Registration, be available for the sale of the Registrable Securities by the selling Holders thereof and (z) shall comply as to form in all material respects with the requirements of the applicable form and include (or incorporate by reference) all financial statements required by the Commission to be filed therewith, and use its reasonable best efforts to cause such Registration Statement to become effective and remain effective in accordance with Section 2 hereof;

(b) prepare and file with the Commission such amendments and post-effective amendments to each Registration Statement as may be necessary to keep such Registration Statement effective for the applicable period and cause each Prospectus to be supplemented by any required prospectus supplement and, as so supplemented, to be filed pursuant to Rule 424 under the Securities Act and to use their respective best efforts to keep each Prospectus current during the period described under Section 4(3) and Rule 174 under the Securities Act that is applicable to transactions by brokers or dealers with respect to the Registrable Securities or Exchange Securities;

(c) in the case of a Shelf Registration, furnish to each Holder of Registrable Securities participating therein, to counsel to the Initial Purchasers, to counsel to the Holders and to each Underwriter of an Underwritten Offering of Registrable Securities, if any, without charge, as many copies of each Prospectus, including each preliminary Prospectus, and any amendment or supplement thereto and such other documents as such Holder or Underwriter may reasonably request, in order to facilitate the public sale or other disposition of the Registrable Securities; and the Company and the Guarantors consent to the use of such Prospectus and any amendment or supplement thereto in accordance with applicable law by each of the selling Holders of Registrable Securities and any such Underwriters in connection with the offering and sale of the Registrable Securities covered by and in the manner described in such Prospectus or any amendment or supplement thereto in accordance with applicable law;

(d) use their reasonable best efforts to register or qualify the Registrable Securities under all applicable state securities or "Blue Sky" laws of such jurisdictions as any Holder of Registrable Securities covered by a Registration Statement shall reasonably request in writing by the time the applicable Registration Statement is declared effective by the Commission, to cooperate with such Holders in connection with any filings required to be made with the National Association of Securities Dealers, Inc. and do any and all other acts and things which may be reasonably necessary or advisable to enable such Holder to consummate the disposition in each such jurisdiction of such Registrable Securities owned by such Holder, provided, however, that neither the Company nor the Guarantors shall be required to (i) qualify as a foreign corporation or as a dealer in securities in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(d), (ii) file any general consent to service of process or (iii) subject itself to taxation in any such jurisdiction if it is not so subject;

(e) in the case of a Shelf Registration, notify each Holder of Registrable Securities participating therein, counsel to the Holders and counsel to the Initial Purchasers promptly and, if requested by any such Holder or counsel, confirm in writing:

(i) when a Registration Statement has become effective and when any post-effective amendment thereto has been filed and becomes effective;

(ii) of any request by the Commission or any state securities authority for amendments and supplements to a Registration Statement and Prospectus or for additional information after the Registration Statement has become effective;

(iii) of the issuance by the Commission or any state securities authority of any stop order suspending the effectiveness of a Registration Statement or the initiation of any proceedings for that purpose;

(iv) if, between the effective date of a Registration Statement and the closing of any sale of Registrable Securities covered thereby, the representations and warranties of the Company and the Guarantors contained in any underwriting agreement, securities sales agreement or other similar agreement, if any, relating to the offering cease to be true and correct in all material respects or if the Company or the Guarantors receive any notification with respect to the suspension of the qualification of the Registrable Securities for sale in any jurisdiction or the initiation of any proceeding for such purpose;

(v) of the happening of any event during the period a Shelf Registration Statement is effective which makes any statement made in such Registration Statement or the related Prospectus untrue in any material respect or which requires the making of any changes in such Registration Statement or Prospectus in order to make the statements therein not materially misleading; and

(vi) of any determination by the Company or the Guarantors that a post-effective amendment to a Registration Statement would be appropriate;

(f) make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of a Registration Statement at the earliest possible moment and provide immediate notice to each Holder of the withdrawal of any such order;

(g) in the case of a Shelf Registration, furnish to each Holder of Registrable Securities participating therein, without charge, at least one conformed copy of each Registration Statement and any post-effective amendment thereto (without documents incorporated therein by reference or exhibits thereto, unless requested);

(h) in the case of a Shelf Registration, cooperate with the selling Holders of Registrable Securities to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and not bearing any restrictive legends and enable such Registrable Securities to be in such denominations (consistent with the provisions of the Indenture) and registered in such names as the selling Holders may reasonably request at least one business day prior to the closing of any sale of Registrable Securities;

(i) in the case of a Shelf Registration, upon the occurrence of any event contemplated by Section 3(e) hereof, use its reasonable best efforts to prepare and file with the Commission a supplement or post-effective amendment to a Registration Statement or the related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Securities, such Prospectus will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The Company and the Guarantors agree to notify the Holders to suspend use of the Prospectus as promptly as practicable after the occurrence of such an event, and the Holders hereby agree to suspend use of the Prospectus until the Company and the Guarantors has amended or supplemented the Prospectus to correct such misstatement or omission;

(j) in the case of a Shelf Registration, a reasonable time prior to the filing of any Shelf Registration Statement, any Prospectus, any amendment to a Shelf Registration Statement or amendment or supplement to a Prospectus or any document which is to be incorporated by reference into a Shelf Registration Statement or a Prospectus after initial filing of a Shelf Registration Statement, provide copies of such document to the Holders participating therein and their counsel and make such of the representatives of the Company and the Guarantors as shall be reasonably requested by the Holders participating therein or their counsel available for discussion of such document, and shall not at any time file or make any amendment to the Shelf Registration Statement, any Prospectus or any amendment of or supplement to a Shelf Registration Statement or a Prospectus or any document which is to be incorporated by reference into a Shelf Registration Statement or a Prospectus, of which the Holders participating therein and their counsel shall not have previously been advised and furnished a copy, except for any amendment or supplement or document (a copy of which has been previously furnished to the Holders participating therein and their counsel) which counsel to the Company and the Guarantors shall advise the Company and the Guarantors is required in order to comply with applicable law;

(k) obtain a CUSIP number for all Exchange Securities or Registrable Securities, as the case may be, not later than the effective date of the applicable Registration Statement;

(l) cause the Indenture to remain qualified under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), in connection with the registration of the Exchange Securities or Registrable Securities, as the case may be, cooperate with the Trustee and the Holders to effect such changes to the Indenture as may be required for the Indenture to remain so qualified in accordance with the terms of the Trust Indenture Act and execute, and use its reasonable best efforts to cause the Trustee to execute, all documents as may be required to effect such changes and all other forms and documents required to be filed with the Commission to enable the Indenture to be so qualified in a timely manner;

(m) in the case of a Shelf Registration, make available for inspection by a representative of the Holders of the Registrable Securities participating therein, any Underwriter participating in any disposition pursuant to such Shelf Registration Statement, and attorneys and accountants designated by the Majority Holders, at reasonable times and in a reasonable manner, all material financial and other records, pertinent documents and properties of the Company and the Guarantors, and use their respective reasonable best efforts to cause the respective officers, directors and employees of the Company and the Guarantors to supply all information reasonably requested by any such representative, Underwriter, attorney or accountant in connection with a Shelf Registration Statement; provided, however, that each such party shall be required to maintain in confidence and not to disclose to any other person any information or records reasonably designated by the Company and the Guarantors as being confidential, until such time as:

(i) such information becomes a matter of public record (whether by virtue of its inclusion in such registration statement or otherwise but excluding any matter that becomes public by virtue of the breach by any Holder of its obligations to maintain the confidentiality of any such information);

(ii) such person shall be required so to disclose such information pursuant to a subpoena or order of any court or other governmental agency or body having jurisdiction over the matter (subject to the requirements of such order, and only after such person shall have given the Company and the Guarantors prompt prior written notice of such requirement and the opportunity to contest the same or seek an appropriate protective order); or

(iii) such information is required to be set forth in such Shelf Registration Statement or the Prospectus included therein or in an amendment to such Shelf Registration Statement or an amendment or supplement to such Prospectus in order that such Shelf Registration Statement, Prospectus, amendment or supplement, as the case may be, does not contain an untrue statement of a material fact or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading;

(n) in the case of a Shelf Registration, use its reasonable best efforts to cause all Registrable Securities to be listed on any securities exchange or any automated quotation system on which securities issued by the Company and the Guarantors of the same class are then listed if requested by the Majority Holders, to the extent such Registrable Securities satisfy applicable listing requirements;

(o) if reasonably requested by any Holder of Registrable Securities covered by a Shelf Registration Statement, use its best efforts to:

(i) incorporate in a Prospectus supplement or post-effective amendment such information with respect to such Holder as such Holder reasonably requests to be included therein; and

(ii) make all required filings of such Prospectus supplement or such post-effective amendment as soon as the Company or the Guarantors have received notification of the matters to be incorporated in such filing;

provided that neither the Company nor any Guarantor shall be required to take any action under this paragraph (o) that is not, in the opinion of counsel to the Company, legally required; provided, however, that such opinion shall be in writing and delivered to the Holder; and

(p) in the case of a Shelf Registration, enter into such customary agreements and take all such other reasonable actions in connection therewith (including those reasonably requested by the Holders of a majority of the Registrable Securities being sold) in order to expedite or facilitate the disposition of such Registrable Securities including, but not limited to, an Underwritten Offering and in such connection:

(i) to the extent possible, make such representations and warranties to the Holders and any Underwriters of such Registrable Securities with respect to the business of the Company and its subsidiaries, the Shelf Registration Statement, Prospectus and documents incorporated by reference or deemed incorporated by reference, if any, in each case, in form, substance and scope as are customarily made by issuers to underwriters in underwritten offerings of this type and confirm the same if and when requested;

(ii) use its reasonable best efforts to obtain opinions of counsel to the Company and the Guarantors (which counsel and opinions, in form, scope and substance, shall be reasonably satisfactory to the Holders and such Underwriters and their respective counsel) addressed to each selling Holder and Underwriter of Registrable Securities, covering the matters customarily covered in opinions requested in underwritten offerings of this type;

(iii) use its reasonable best efforts to obtain "cold comfort" letters from the independent certified public accountants of the Company and the Guarantors (and, if necessary, any other certified public accountant of any subsidiary of the Company, or of any business acquired by the Company or the Guarantors for which financial statements and financial data are or are required to be included in the Shelf Registration Statement) addressed to each selling Holder and Underwriter of Registrable Securities, such letters to be in customary form and covering matters of the type customarily covered in "cold comfort" letters in connection with underwritten offerings of this type; provided that any such accountant receives appropriate documentation as contemplated, and only if permitted, by Statement of Auditing Standards Nos. 100 or 72; and

(iv) deliver such documents and certificates as may be reasonably requested by the Holders of a majority in principal amount of the Registrable Securities being sold or the Underwriters, and which are customarily delivered in underwritten offerings, to evidence the continued validity of the representations and warranties of the Company and the Guarantors made pursuant to clause (i) above and to evidence compliance with any customary conditions contained in an underwriting agreement.

In the case of a Shelf Registration Statement, the Company and the Guarantors may require each Holder of Registrable Securities to furnish to the Company and the Guarantors such information regarding the Holder and the proposed distribution by such Holder of such Registrable Securities as the Company or the Guarantors may from time to time reasonably request in writing.

In the case of a Shelf Registration Statement, each Holder agrees that, upon receipt of any notice from the Company or the Guarantors of the happening of any event of the kind described in Section 3(e)(v) hereof, such Holder will forthwith discontinue disposition of Registrable Securities pursuant to the Shelf Registration Statement until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 3(i) hereof, and, if so directed by the Company or the Guarantors, such Holder will deliver to the Company or the Guarantors (at their expense) all copies in its possession, other than permanent file copies then in such Holder's possession, of the Prospectus covering such Registrable Securities current at the time of receipt of such notice and shall not use such Shelf Registration Statement or Prospectus until amended or supplemented. If the Company or the Guarantors shall give any such notice to suspend the disposition of Registrable Securities pursuant to a Shelf Registration Statement, the Company and the Guarantors shall extend the period during which the Shelf Registration Statement shall be maintained effective pursuant to this Agreement by the number of days during the period from and including the date of the giving of such notice to and including the date when the Holders shall have received copies of the supplemented or amended Prospectus necessary to resume such dispositions. The Company or the Guarantors may give any such notice only twice during any 365 day period and any such suspensions may not exceed 30 days for each suspension and there may not be more than two suspensions in effect during any 365 day period.

The Holders of Registrable Securities covered by a Shelf Registration Statement who desire to do so may sell such Registrable Securities in an Underwritten Offering. In any such Underwritten Offering, the investment banker or investment bankers and manager or managers (the "Underwriters") that will administer the offering will be selected by the Majority Holders of the Registrable Securities included in such offering, subject to the consent of the Company (which shall not be unreasonably withheld or delayed) and such Holders shall be responsible for all underwriting commissions and discounts.

4. Participation of Broker-Dealers in Exchange Offer. (a) The Staff of the Commission has taken the position that any broker-dealer that receives Exchange Securities for its own account in the Exchange Offer in exchange for Securities that were acquired by such broker-dealer as a result of market-making or other trading activities (a "Participating Broker-Dealer"), may be deemed to be an "underwriter" within the meaning of the Securities Act and must deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such Exchange Securities.

The Company and the Guarantors understand that it is the Staff's position that if the Prospectus contained in the Exchange Offer Registration Statement includes a plan of distribution containing a statement to the above effect and the means by which Participating Broker-Dealers may resell the Exchange Securities, without naming the Participating Broker-Dealers or specifying the amount of Exchange Securities owned by them, such Prospectus may be delivered by Participating Broker-Dealers to satisfy their prospectus delivery obligation under the Securities Act in connection with resales of Exchange Securities for their own accounts, so long as the Prospectus otherwise meets the requirements of the Securities Act.

#### 5. Indemnification and Contribution.

(a) Each of the Company and the Guarantors jointly and severally agrees to indemnify and hold harmless the Initial Purchasers, each Holder and each Person, if any, who controls any Initial Purchaser or any Holder within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, or is under common control with, or is controlled by, any Initial Purchaser or any Holder, from and against all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred by the Initial Purchaser, any Holder or any such controlling or affiliated Person in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or any amendment thereto) pursuant to which Exchange Securities or Registrable Securities were registered under the Securities Act, including all documents incorporated therein by reference, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or caused by any untrue statement or alleged untrue statement of a material fact contained in any Prospectus (as amended or supplemented if the Company or the Guarantors shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact necessary to make the statements therein in light of the circumstances under which they were made not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to the Initial Purchasers or any Holder furnished to the Company in writing by the Initial Purchasers or any selling Holder expressly for use therein. In connection with any Underwritten Offering permitted by Section 3, the Company and the Guarantors will also jointly and severally indemnify the Underwriters, if any, selling brokers, dealers and similar securities industry professionals participating in the distribution, their officers and directors and each Person who controls such Persons (within the meaning of the Securities Act and the Exchange Act) to the same extent as provided above with respect to the indemnification of the Holders, if requested in connection with any Registration Statement.

(b) Each Holder agrees, severally and not jointly, to indemnify and hold harmless the Company, the Guarantors, the Initial Purchasers and the other selling Holders, and each of their respective directors, officers who sign the Registration Statement and each Person, if any, who controls the Company or the Guarantors, any Initial Purchaser and any other selling Holder within the meaning of either Section 15 of the Securities Act or Section 20 of

the Exchange Act to the same extent as the foregoing indemnity from the Company to the Initial Purchasers and the Holders, but only with reference to information relating to such Holder furnished to the Company in writing by such Holder expressly for use in any Registration Statement (or any amendment thereto) or any Prospectus (or any amendment or supplement thereto).

(c) Promptly after receipt by an indemnified party under this Section of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under subsection (a) or (b) above, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party otherwise than under subsection (a) or (b) above. In any such proceeding, the indemnifying party shall be entitled to participate in such proceeding and, to the extent that it so elects, jointly with any other similarly notified indemnifying party, to assume the defense thereof, subject to the right of the indemnified party to retain its own counsel, be separately represented and to direct its own defense if (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and the indemnified party has been advised by counsel that representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. In any proceeding described in clause (i) or (ii) of the preceding sentence, the fees and expenses of counsel retained by the indemnified party shall be the expense of the indemnifying party. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified parties in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties and that all such fees and expenses shall be reimbursed as they are incurred. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party unless such settlement includes (i) an unconditional release of such indemnified party from all liability on any claims that are the subject matter of such action and (ii) does not include a statement as to or an admission of fault, culpability or failure to act by or on behalf of any indemnified party.

(d) If the indemnification provided for in paragraph (a) or paragraph (b) of this Section 5 is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative fault of the indemnifying party or parties on the one hand and of the indemnified party or parties on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of the Company, the Guarantors and the Holders shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, the Guarantors or by the Holders and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Holders' respective obligations to contribute pursuant to this Section 5(d) are several in proportion to the respective principal amount of Registrable Securities of any such Holder that were registered pursuant to a Registration Statement.

(e) The Company, the Guarantors and each Holder agree that it would not be just or equitable if contribution pursuant to this Section 5 were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph (d) above. The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in paragraph (d) above shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 5, no Holder shall be required to indemnify or contribute any amount



in excess of the amount by which the total price at which Registrable Securities were sold by such Holder exceeds the amount of any damages that such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 5 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

The indemnity and contribution provisions contained in this Section 5 shall remain operative and in full force and effect regardless of:

(i) any termination of this Agreement;

(ii) any investigation made by or on behalf of the Initial Purchasers, any Holder or any Person controlling any Initial Purchaser or any Holder, or by or on behalf of the Company, the Guarantors, their officers or directors or any Person controlling the Company or the Guarantors;

(iii) acceptance of any of the Exchange Securities; and

(iv) any sale of Registrable Securities pursuant to a Shelf Registration Statement.

6. Miscellaneous. (a) No Inconsistent Agreements. Neither the Company nor the Guarantors have entered into, and on or after the date of this Agreement will not enter into, any agreement which is inconsistent with the rights granted to the Holders of Registrable Securities in this Agreement or otherwise conflicts with the provisions hereof. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of other issued and outstanding securities of the Company or the Guarantors under any such agreements.

(b) Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given unless the Company and the Guarantors have obtained the written consent of Holders of at least a majority in aggregate principal amount of the outstanding Registrable Securities affected by such amendment, modification, supplement, waiver or consent.

(c) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, registered first-class mail, telex, telecopier, or any courier guaranteeing overnight delivery (i) if to a Holder, at the most current address given by such Holder to the Company and the Guarantors by means of a notice given in accordance with the provisions of this Section 6(c), which address initially is, with respect to the Initial Purchasers, the address set forth in the Purchase Agreement, and (ii) if to the Company or the Guarantors, initially at the Company's address set forth in the Purchase Agreement and thereafter at such other address, notice of which is given in accordance with the provisions of this Section 6(c).

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five business days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt is acknowledged, if telecopied; and on the next business day if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands, or other communications shall be concurrently delivered by the Person giving the same to the Trustee, at the address specified in the Indenture.

(d) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of each of the parties, including, without limitation and without the need for an

express assignment, subsequent Holders; provided that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Registrable Securities in violation of the terms of the Purchase Agreement. If any transferee of any Holder shall acquire Registrable Securities, in any manner, whether by operation of law or otherwise, such Registrable Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Registrable Securities such Person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement and such Person shall be entitled to receive the benefits hereof. The Initial Purchasers (in their capacity as Initial Purchasers) shall have no liability or obligation to the Company or the Guarantors with respect to any failure by a Holder to comply with, or any breach by any Holder of, any of the obligations of such Holder under this Agreement.

(e) Purchases and Sales of Securities. The Company and the Guarantors shall not, and shall use their best efforts to cause their affiliates (as defined in Rule 405 under the Securities Act) not to, purchase and then resell or otherwise transfer any Securities.

(f) Third Party Beneficiary. The Holders shall be third party beneficiaries to the agreements made hereunder between the Company and the Guarantors, on the one hand, and the Initial Purchasers, on the other hand, and shall have the right to enforce such agreements directly to the extent it deems such enforcement necessary or advisable to protect its rights or the rights of Holders hereunder.

(g) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterpart, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(h) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(i) Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(j) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. The Company and each of the Guarantors hereby submits to the non-exclusive jurisdiction of the Federal and state courts in the Borough of Manhattan in The City of New York in any suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, as of the day and year first above written.

LEAR CORPORATION

By /s/ David C. Wajsgras

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Title Senior Vice President and  
Chief Financial Officer

LEAR OPERATIONS CORPORATION

By /s/ David C. Wajsgras

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Title Vice President

LEAR SEATING HOLDINGS CORP. #50

By /s/ David C. Wajsgras

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Title Vice President and Treasurer

LEAR CORPORATION EEDS AND INTERIORS

By /s/ David C. Wajsgras

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Title Vice President and  
Chief Financial Officer

LEAR TECHNOLOGIES, LLC

By /s/ David C. Wajsgras

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Title Senior Vice President and  
Chief Financial Officer of Lear  
Corporation, its Sole Member

LEAR MIDWEST AUTOMOTIVE, LIMITED  
PARTNERSHIP

By /s/ David C. Wajsgras

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Title Vice President and Treasurer of  
Lear Corporation Mendon,  
its General Partner

LEAR AUTOMOTIVE (EEDS) SPAIN S.L.

By /s/ David C. Wajsgras

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Title By Power of Attorney

LEAR CORPORATION MEXICO, S.A. DE C.V.

By /s/ David C. Wajsgras

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Title By Power of Attorney

The foregoing Agreement is hereby confirmed, accepted  
and agreed as of the date first above written.

J.P. MORGAN SECURITIES INC.

By Maria Sramek

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Title Vice President

MERRILL LYNCH & CO.  
MERRILL LYNCH, PIERCE, FENNER & SMITH  
INCORPORATED

By E. Jeremy MacFadyen

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Title

Acting on behalf of itself  
and as the Representatives  
of the several Initial Purchasers

## 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: November 10, 2004

By: /s/ Robert E. Rossiter

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Robert E. Rossiter  
Chairman and Chief Executive Officer

## CERTIFICATION

I, David C. Wajsgras, certify that:

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

By: /s/ David C. Wajsgras

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David C. Wajsgras  
Senior Vice President and Chief  
Financial Officer

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

In connection with the Quarterly Report of Lear Corporation (the "Company") on Form 10-Q for the period ended 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: November 10, 2004

Signed: /s/ Robert E. Rossiter

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Robert E. Rossiter  
Chief Executive Officer

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

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



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

In connection with the Quarterly Report of Lear Corporation (the "Company") on Form 10-Q for the period ended 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: November 10, 2004

Signed: /s/ David C. Wajsgras

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David C. Wajsgras  
Chief Financial Officer

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

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