



**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **July 29, 2005**

**LEAR CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation)

**1-11311**

(Commission File Number)

**13-3386776**

(IRS Employer Identification Number)

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

**48034**  
(Zip Code)

**(248) 447-1500**

(Registrant's telephone number, including area code)

**N/A**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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## **TABLE OF CONTENTS**

[Item 2.02 Results of Operations and Financial Condition.](#)

[Item 7.01 Regulation FD Disclosure.](#)

[Item 8.01 Other Events.](#)

[Item 9.01 Financial Statements and Exhibits.](#)

[SIGNATURE](#)

[EXHIBIT INDEX](#)

[Press Release](#)

[Presentation Slides](#)

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## [Table of Contents](#)

### **Section 2 — Financial Information**

#### **Item 2.02 Results of Operations and Financial Condition.**

The following information is provided pursuant to Item 2.02 of Form 8-K, “Results of Operations and Financial Condition,” and Item 7.01 of Form 8-K, “Regulation FD Disclosure.”

On July 29, 2005, Lear Corporation issued a press release reporting its financial results for the second quarter of 2005 and updating its earnings guidance for 2005. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated by reference herein.

On July 29, 2005, Lear Corporation made available the presentation slides attached hereto as Exhibit 99.2 in a webcast of its second quarter 2005 earnings call. Exhibit 99.2 is incorporated by reference herein.

The information contained in Exhibit 99.2 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

### **Section 7 — Regulation FD**

#### **Item 7.01 Regulation FD Disclosure.**

See “Item 2.02 Results of Operations and Financial Condition” above.

### **Section 8 — Other Events**

#### **Item 8.01 Other Events.**

Lear Corporation’s press release issued July 29, 2005, reporting its financial results for the second quarter of 2005 and updating its earnings guidance for 2005, attached hereto as Exhibit 99.1, is incorporated by reference herein.

### **Section 9 — Financial Statements and Exhibits**

#### **Item 9.01 Financial Statements and Exhibits.**

##### (c) Exhibits

99.1 Press release issued July 29, 2005, filed herewith.

99.2 Presentation slides from the Lear Corporation webcast of its second quarter 2005 earnings call held on July 29, 2005, furnished herewith.

**SIGNATURE**

Pursuant to the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**LEAR CORPORATION,**  
a Delaware corporation

Date: July 29, 2005

By: /s/ David C. Wajsgras  
Name: David C. Wajsgras  
Title: Senior Vice President and  
Chief Financial Officer

**EXHIBIT INDEX**

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release issued July 29, 2005, filed herewith.
99.2	Presentation slides from the Lear Corporation webcast of its second quarter 2005 earnings call held on July 29, 2005, furnished herewith.

**FOR IMMEDIATE RELEASE****Investor Relations:**

Anne Bork  
(248) 447-5914

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Andrea Puchalsky  
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**Lear Reports Second-Quarter Financial Results  
and Updates 2005 Financial Guidance**

Southfield, Mich., July 29, 2005 — Lear Corporation [NYSE: LEA], one of the world's largest automotive interior systems suppliers, today reported financial results for the second quarter of 2005 and updated 2005 financial guidance.

**Second-Quarter Highlights:**

- w **Net sales of \$4.4 billion versus \$4.3 billion a year ago**
- w **Net loss of \$0.66 per share, including costs related to restructuring actions of \$0.33 per share and litigation and impairment charges of \$0.65 per share**
- w **Doug DelGrosso named President and Chief Operating Officer**
- w **Announced global restructuring to improve long-term competitiveness**
- w **Received customer awards for excellence in quality, customer service and supplier diversity**

For the second quarter of 2005, Lear posted net sales of \$4.4 billion and a net loss of \$44.4 million, or \$0.66 per share, including costs related to restructuring actions of \$0.33 per share, litigation charges of \$0.40 per share and an impairment of an equity investment that was subsequently divested of \$0.25 per share. These items had an unfavorable impact of \$0.98 on second quarter net income per share. The results for the second quarter of 2005 compare to net sales of \$4.3 billion and net income of \$116.1 million, or \$1.58 per share, for the second quarter of 2004.

Net sales were up from the prior year, primarily reflecting the addition of new business globally, offset in part by lower production on key Lear platforms in North America. Operating performance in the quarter declined sharply from the year earlier period, primarily due to lower production on key Lear platforms in North America and continuing cost pressures throughout the supply chain.

“Despite the tough operating environment, the Lear team remains focused on delivering superior quality and service to our customers, ensuring that key new products

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are launched flawlessly and taking aggressive steps to improve our competitiveness going forward,” said Bob Rossiter, Lear Chairman and Chief Executive Officer.

During the quarter, Doug DelGrosso was named President and Chief Operating Officer, and the Company’s overall organizational structure was realigned on a more global basis. Lear was named Supplier of the Year by General Motors, was awarded two World Excellence awards from Ford and was recognized by Toyota for excellence in quality and supplier diversity. Also during the quarter, the Company announced the framework for a global restructuring to improve long-term competitiveness.

Free cash flow was negative \$9.4 million for the second quarter of 2005. (Net cash provided by operating activities was \$407.6 million. A reconciliation of free cash flow to net cash provided by operating activities is provided in the attached supplemental data page.)

### **Third-Quarter and Full-Year 2005 Outlook**

For the third quarter of 2005, net sales are expected to be approximately \$3.9 billion, about flat compared to a year ago. This reflects the addition of new business globally, offset by lower production on key Lear platforms. Net loss is expected to be in the range of \$0.70 to \$0.90 per share, including costs related to restructuring actions of approximately \$0.55 per share. Actual restructuring costs will be dependent on various factors, including the timing of certain actions, and could vary from current estimates. The net loss compares to net income of \$1.26 per share in the third quarter of 2004.

For the full year of 2005, net sales are expected to be approximately \$17 billion, reflecting primarily the addition of new business globally, offset by lower production on key Lear platforms. Lear’s 2005 industry production planning assumptions are approximately 15.5 million units in North America and approximately 18.6 million units in Europe. Net (loss) income is expected to be in the range of (\$0.25) to \$0.15 per share, including costs related to restructuring actions of approximately \$1.35 per share, the second-quarter litigation and impairment charges of \$0.65 per share and the first-quarter tax benefit of \$0.25 per share. These items are expected to have a net unfavorable impact of approximately \$1.75 on full-year 2005 net income per share.

Full-year capital spending is forecasted to be approximately \$550 million. Depreciation is expected to be about \$400 million. Free cash flow is expected to be approximately negative \$375 million, which includes a one-time negative net impact of changes in customer payment terms of approximately \$200 million, as well as cash payments of about \$120 million related to restructuring actions. Interest expense is expected to be about \$190 million. See “Forward-Looking Statements” below for a description of factors that could impact actual operating results.

Lear Corporation, a Fortune 500 company headquartered in Southfield, Mich., USA, focuses on integrating complete automotive interiors, including seat systems, interior trim and electrical systems. With annual net sales of \$17 billion in 2004, Lear is one of the world’s largest automotive interior systems suppliers. The Company’s world-



class products are designed, engineered and manufactured by more than 110,000 employees in 34 countries.

Lear Corporation [NYSE: LEA] will hold a conference call to review the Company's second-quarter 2005 financial results and related matters on Friday, July 29, 2005, at 9:00 a.m. EDT. To participate in the conference call, dial 1-800-789-4751 (domestic) or 1-706-679-3323 (international). You may also listen to the live audio webcast of the call, in listen-only mode, on the corporate website at [www.lear.com](http://www.lear.com). An audio replay will be available two hours following the call at 1-800-642-1687 (domestic) and 1-706-645-9291 (international). The audio replay will be available until August 9, 2005 (Conference I.D. 6535153).

### **Use of Non-GAAP Financial Information**

In addition to the results reported in accordance with accounting principles generally accepted in the United States ("GAAP") included throughout this news release, the Company has provided information regarding "free cash flow" (a non-GAAP financial measure). Free cash flow represents net cash provided by operating activities before the net change in sold accounts receivable, less capital expenditures. The Company believes it is appropriate to exclude the net change in sold accounts receivable in the calculation of free cash flow since the sale of receivables may be viewed as a substitute for borrowing activity.

Management believes that free cash flow is useful to both management and investors in their analysis of the Company's ability to service and repay its debt. Further, management uses free cash flow for planning and forecasting in future periods.

Free cash flow should not be considered in isolation or as a substitute for net income, net cash provided by operating activities or other cash flow statement data prepared in accordance with GAAP or as a measure of profitability or liquidity. In addition, the calculation of free cash flow does not reflect cash used to service debt and therefore, does not reflect funds available for investment or other discretionary uses. Also, free cash flow, as determined and presented by the Company, may not be comparable to related or similarly titled measures reported by other companies.

For a reconciliation of historical free cash flow to net cash provided by operating activities, see the supplemental data page which, together with this news release, has been posted on the corporate website through the Investor Relations link at [www.lear.com](http://www.lear.com).

### **Forward-Looking Statements**

This news release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding anticipated financial results. Actual results may differ materially from anticipated results as a result of certain risks and uncertainties, including but not limited to, general

economic conditions in the markets in which the Company operates, fluctuations in the production of vehicles for which the Company is a supplier, labor disputes involving the Company or its significant customers or suppliers or that otherwise affect the Company, the Company's ability to achieve cost reductions that offset or exceed customer-mandated selling price reductions, the outcome of customer productivity negotiations, the impact and timing of program launch costs, the costs and timing of facility closures, business realignment or similar actions, increases in the Company's warranty or product liability costs, risks associated with conducting business in foreign countries, competitive conditions impacting the Company's key customers, raw material costs and availability, the Company's ability to mitigate the significant impact of recent increases in raw material, energy and commodity costs, the outcome of legal or regulatory proceedings to which the Company is or may become a party, unanticipated changes in free cash flow, the finalization of the Company's restructuring plan, potential impairment or other charges related to the implementation of the Company's business strategy or adverse industry conditions and other risks described from time to time in the Company's Securities and Exchange Commission filings.

In addition, the third-quarter and full-year 2005 per share earnings guidance is based on an assumed 67 million shares outstanding. The third-quarter and full-year assumed shares exclude 4.8 million shares related to the Company's outstanding convertible debt, as well as outstanding options and restricted stock units, as inclusion at the mid-point of the guidance ranges would have resulted in antidilution.

The forward-looking statements in this press release, including the Company's financial outlook, are made as of the date hereof, and the Company does not assume any obligation to update them to reflect events, new information or circumstances occurring after the date hereof.

**Lear Corporation and Subsidiaries**  
**Consolidated Statements of Operations**

(Unaudited; in millions, except per share amounts)

	<b>Three Months Ended</b>	
	<b>July 2, 2005</b>	<b>July 3, 2004</b>
Net sales	\$ 4,419.3	\$ 4,284.0
Cost of sales	4,198.5	3,912.4
Selling, general and administrative expenses	190.8	158.7
Interest expense	48.2	39.2
Other expense, net	<u>32.2</u>	<u>14.8</u>
Income (loss) before income taxes	(50.4)	158.9
Income tax provision (benefit)	<u>(6.0)</u>	<u>42.8</u>
Net income (loss)	<u>\$ (44.4)</u>	<u>\$ 116.1</u>
Basic net income (loss) per share	<u>\$ (0.66)</u>	<u>\$ 1.69</u>
Diluted net income (loss) per share	<u>\$ (0.66)</u>	<u>\$ 1.58</u>
Weighted average number of shares outstanding — basic	<u>67.1</u>	<u>68.7</u>
Weighted average number of shares outstanding — diluted	<u>67.1</u>	<u>75.1</u>

**Lear Corporation and Subsidiaries**  
**Consolidated Statements of Operations**

(Unaudited; in millions, except per share amounts)

	Six Months Ended	
	July 2, 2005	July 3, 2004
Net sales	\$ 8,705.3	\$ 8,776.1
Cost of sales	8,284.6	8,057.6
Selling, general and administrative expenses	341.9	326.4
Interest expense	93.0	78.3
Other expense, net	39.1	28.9
Income (loss) before income taxes	(53.3)	284.9
Income tax provision (benefit)	(24.5)	77.4
Net income (loss)	<u>\$ (28.8)</u>	<u>\$ 207.5</u>
Basic net income (loss) per share	<u>\$ (0.43)</u>	<u>\$ 3.03</u>
Diluted net income (loss) per share	<u>\$ (0.43)</u>	<u>\$ 2.82</u>
Weighted average number of shares outstanding — basic	<u>67.2</u>	<u>68.6</u>
Weighted average number of shares outstanding — diluted	<u>67.2</u>	<u>75.2</u>

**Lear Corporation and Subsidiaries**  
**Consolidated Balance Sheets**

(In millions)

	July 2, 2005	December 31, 2004
	(Unaudited)	(Audited)
<b>ASSETS</b>		
<b>Current:</b>		
Cash and cash equivalents	\$ 132.9	\$ 584.9
Accounts receivable	2,251.8	2,584.9
Inventories	580.3	621.2
Recoverable customer engineering and tooling	281.1	205.8
Other	363.3	375.2
	<u>3,609.4</u>	<u>4,372.0</u>
<b>Long-Term:</b>		
PP&E, net	2,012.8	2,019.8
Goodwill, net	2,988.9	3,039.4
Other	478.8	513.2
	<u>5,480.5</u>	<u>5,572.4</u>
<b>Total Assets</b>	<b>\$ 9,089.9</b>	<b>\$ 9,944.4</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current:</b>		
Short-term borrowings	\$ 49.0	\$ 35.4
Accounts payable and drafts	2,869.0	2,777.6
Accrued liabilities	1,098.3	1,202.1
Current portion of long-term debt	5.9	632.8
	<u>4,022.2</u>	<u>4,647.9</u>
<b>Long-Term:</b>		
Long-term debt	1,838.1	1,866.9
Other	709.0	699.5
	<u>2,547.1</u>	<u>2,566.4</u>
<b>Stockholders' Equity</b>	<u>2,520.6</u>	<u>2,730.1</u>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 9,089.9</b>	<b>\$ 9,944.4</b>

**Lear Corporation and Subsidiaries**  
**Supplemental Data**

(Unaudited; in millions, except content per vehicle and share data)

	<b>Three Months Ended</b>	
	<b>July 2, 2005</b>	<b>July 3, 2004</b>
<b>Net Sales</b>		
North America	\$ 2,304.7	\$ 2,367.3
Europe	1,791.0	1,671.0
Rest of World	323.6	245.7
<b>Total</b>	<b>\$ 4,419.3</b>	<b>\$ 4,284.0</b>
<b>Content Per Vehicle *</b>		
North America	\$ 558	\$ 567
Total Europe	\$ 356	\$ 328
<b>Free Cash Flow **</b>		
Net cash provided by operating activities	\$ 407.6	\$ 255.3
Net change in sold accounts receivable	(267.3)	—
Net cash provided by operating activities <u>before</u> net change in sold accounts receivable	140.3	255.3
Capital expenditures	(149.7)	(115.3)
Free cash flow	<u>\$ (9.4)</u>	<u>\$ 140.0</u>
<b>Depreciation</b>	<b>\$ 94.6</b>	<b>\$ 87.0</b>
<b>Net Sales</b>		
<b>Six Months Ended</b>		
	<b>July 2, 2005</b>	<b>July 3, 2004</b>
North America	\$ 4,534.6	\$ 4,873.3
Europe	3,572.9	3,427.6
Rest of World	597.8	475.2
<b>Total</b>	<b>\$ 8,705.3</b>	<b>\$ 8,776.1</b>
<b>Content Per Vehicle *</b>		
North America	\$ 556	\$ 578
Total Europe	\$ 361	\$ 341
<b>Free Cash Flow **</b>		
Net cash provided by operating activities	\$ 526.1	\$ 312.1
Net change in sold accounts receivable	(267.3)	70.4
Net cash provided by operating activities <u>before</u> net change in sold accounts receivable	258.8	382.5
Capital expenditures	(279.1)	(192.6)
Free cash flow	<u>\$ (20.3)</u>	<u>\$ 189.9</u>
<b>Depreciation</b>	<b>\$ 189.1</b>	<b>\$ 170.1</b>
<b>Basic Shares Outstanding at end of quarter</b>	<b>67,110,096</b>	<b>68,607,203</b>
<b>Diluted Shares Outstanding at end of quarter ***</b>	<b>67,110,096</b>	<b>74,845,032</b>

\* Content Per Vehicle for 2004 has been updated to reflect actual production levels.

\*\* See "Use of Non-GAAP Financial Information" included in this news release.

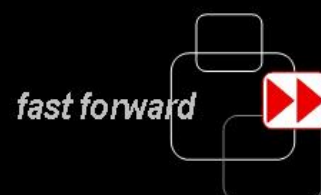
\*\*\* Calculated using stock price at end of quarter. The calculation of diluted shares outstanding as of July 2, 2005 excludes approximately 4.8 million shares related to outstanding convertible debt, approximately 3.1 million options and 0.6 million restricted stock units, as inclusion would have resulted in antidilution in the second quarter and first half of 2005.



Exhibit 99.2

*Second-Quarter 2005 Financial Results and  
Updated 2005 Guidance*

*July 29, 2005*



## Agenda

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- ▶▶ Strategic Direction
  - *Bob Rossiter, Chairman and CEO*
- ▶▶ 2005 Business Conditions
  - *Jim Vandenberghe, Vice Chairman*
- ▶▶ Second Quarter Financial Results and Updated 2005 Guidance
  - *Dave Wajsgras, SVP and CFO*
- ▶▶ Lear Strategy and Restructuring Actions
  - *Doug DelGrosso, President and COO*
- ▶▶ Closing Comments
  - *Bob Rossiter, Chairman and CEO*
- ▶▶ Q & A



# Strategic Direction

## **Strategic Direction\***

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### Near-term

- ▶▶ Improve quality and ensure flawless launch execution
- ▶▶ Aggressively implement cost improvement initiatives

### Medium to long-term

- ▶▶ Continue to profitably grow and diversify our sales backlog
- ▶▶ Implement a global restructuring
- ▶▶ Improve or divest portions of under-performing interior components operations
- ▶▶ Continue to expand presence in Asia and increase our business with Asian manufacturers globally

### ***Reposition Global Operations To Improve Operating Efficiency And Long-Term Competitiveness***

\* Please see slide titled "Forward-Looking Statements" at the end of this presentation for further information.

# 2005 Business Conditions

## **2005 Business Conditions**

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- ▶▶ Production declines for major customers on mature models
  - Big 3 market share losses / inventory correction in North America
  - Many of Lear's high content platforms disproportionately impacted
- ▶▶ Margins under pressure in the near-term
  - Volatile production schedules / intermittent plant shutdowns
  - Increased commodity costs
  - Distressed supply base
- ▶▶ Large backlog coming on-line
  - Unprecedented launch activity (lower margin during ramp up)
  - Increased CapX and tooling & engineering expenditures
- ▶▶ Customer financial performance impacting commercial negotiations and demands for cost reductions

***Unfavorable Industry Conditions  
Are Driving Near-Term Operating Performance***

## Total Interior Integration

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- ▶▶ GM has decided to increase its sourcing authority on future programs
  - “Co-sourcing” reduces the effectiveness of integration opportunities
  - Requires less up-front spending on tooling & engineering for Lear

### ***2006 Cadillac DTS & Buick Lucerne***

- ▶▶ World-class interiors for GM
  - Achieved best-in-class comfort ratings
  - Added consumer-valued features
  - Outstanding overall craftsmanship
- ▶▶ Program demonstrated Lear’s value-add integration expertise
  - Demonstrated our value during the development stage, our CTO ideas and our integration of electronics and electrical components throughout the interior
  - Opportunity to reposition business toward more profitable value-added products



***Lear Is Prepared To Serve Customers  
At Any Level Of Interior Integration***

# **Second Quarter Financial Results and Updated 2005 Guidance**

## Second Quarter Summary

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- ▶▶ Volume and Mix
  - North America – Industry production down 1% and Big Three down 6% as inventory correction continued. Key Lear platforms adversely impacted during the quarter.
  - Europe – Industry production down 1%. Key Lear platforms adversely impacted during the quarter.
- ▶▶ Major Launches – Effectively supporting a very active new product launch schedule; major programs are proceeding on target.
- ▶▶ Raw Materials – Despite moderating steel and resin prices – pricing environment remains high. Continuing stress on vulnerable suppliers.
- ▶▶ Distressed Suppliers – Additional resources required to deal with increasing number of bankruptcy / workout situations.
- ▶▶ Customer Negotiations – Most are complete or nearing completion.

## Financial Highlights – Second Quarter 2005

(in millions, except net income per share)	<i>Second Quarter 2005</i>	<i>Second Quarter 2004</i>	<i>2Q '05 B/(W) 2Q '04</i>
<b>Net Sales</b>	\$4,419.3	\$4,284.0	\$135.3
<b>Income before Interest, Other Expense &amp; Income Taxes (core operating earnings)*</b>	\$30.0	\$212.9	(\$182.9)
<b>Margin</b>	0.7 %	5.0 %	(4.3) %
<b>Net Income (Loss)</b>	\$(44.4) **	\$116.1	(\$160.5)
<b>Net Income (Loss) Per Share</b>	(\$0.66) **	\$1.58	(\$2.24)
<b>SG&amp;A % of Net Sales</b>	4.3 %	3.7 %	(0.6) %
<b>Interest Expense</b>	\$48.2	\$39.2	(\$9.0)
<b>Other Expense, Net</b>	\$32.2	\$14.8	(\$17.4)
<b>Effective Tax Rate</b>	11.9 %	26.9 %	NM

\* Income (loss) before income taxes for the second quarter 2005 and 2004 was (\$50.4) and \$158.9, respectively. Please see slides titled "Use of Non-GAAP Financial Information" at the end of this presentation for further information.

\*\* Includes costs related to restructuring actions of (\$22.5) or (\$0.33) per share, litigation charges of (\$27.1) or (\$0.40) per share and an impairment of an equity investment of (\$16.9) or (\$0.25) per share.



## Impact of Restructuring and Other Charges -- 2005

(in millions, except net loss per share)	Second Quarter		Memo:			
	Net Loss Per Share	Pre-tax Loss	Income Statement Category			
			COGS	SG&A	Interest	Other Expense
<b>Reported Results</b>	\$ (0.66)	\$ (50)	-	-	-	-
<i>Reported results include the following items:</i>						
<b>Restructuring</b>	\$ (0.33)	\$ (27)	\$ (22)	\$ (5)	-	-
<b>Litigation Charges</b>	(0.40)	(35)	-	\$ (30)	\$ (5)	-
<b>Equity Investment Impairment</b>	(0.25)	(17)	-	-	-	\$ (17)
<b>Total</b>	\$ (0.98)	\$ (79)				

## **Restructuring and Other Charges – Q2 2005**

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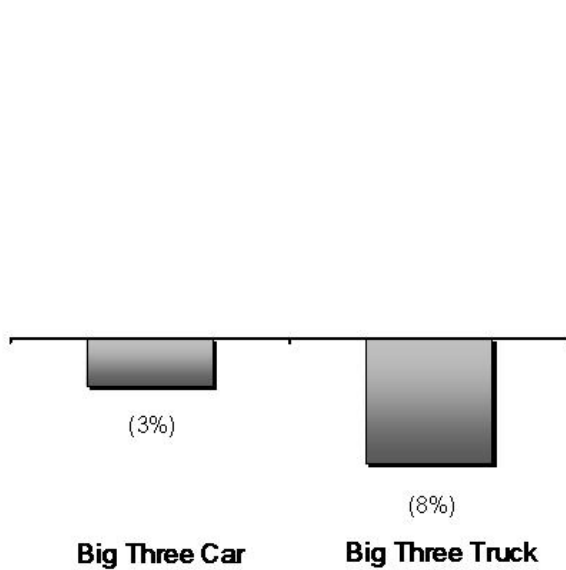
- ▶▶ Global Restructuring/Repositioning: \$27M Pretax
  - Actions at six facilities in addition to various administrative functions in the second quarter (55% North America / 45% Europe)
  - Effectively completed by year-end
  - Approximate payback 2 years
- ▶▶ Litigation Charges: \$35M Pretax
  - Seton judgment (\$24M)
  - European supplier claim (\$11M)
- ▶▶ Equity Investment Impairment: \$17M Pretax
  - Impaired value of non-consolidated venture in the Americas – sold in July

## Second Quarter Sales Changes and Margin Impact Versus Prior Year

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Performance Factor	Sales Impact <i>(millions)</i>	Earnings Impact	Comments
<b>Industry Production / Platform Mix</b>	\$ (409)	(Very Adverse)	Concentrated in high-content platforms
<b>Net Global New Business</b>	328	Low	Unprecedented level of launch activity
<b>Foreign Exchange</b>	124	Low	Benefit in historically lower margin regions
<b>Net Acquisitions</b>	92	Low	Addition of terminals and connectors
<b>Net Commodity Cost</b>	-	(Adverse)	Sustained high levels
<b>Restructuring Costs</b>	-	(Adverse)	Up-front costs, savings later
<b>Net Performance &amp; All Other</b>	-	Neutral	Excluding litigation charges, overall operating performance neutral

# Continued Adverse Second Quarter Mix Impact Driven by Declines in High-Content Platforms



## Lear's Key N.A. Platforms B/(W) 2Q 2004

Ford Explorer / Mountaineer	(42%)
DCX Durango	(36%)
GM Grand Prix / LaCrosse / Impala / Regal	(29%)
DCX Ram	(21%)
Subaru Legacy / Outback	(18%)
GM Yukon / Tahoe / Escalade	(16%)
Ford Crown Vic / Grand Marquis	(7%)
BMW X5	(3%)
GM Silverado / Sierra / Avalanche	(2%)
Ford Escape / Tribute / Mariner	1%
Ford F-Series	1%
DCX Jeep Liberty	7%
Ford Five Hundred / Freestyle / Taurus / Sable	58%
DCX Grand Cherokee	68%
Ford Mustang	182%

## ***N.A. Production Declines Concentrated In High-Content Platforms For Lear***

Source: Ward's Automotive

## Commodity Prices and Supply Base\*

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- ▶▶ Steel and resin prices were down in second quarter, but remain well above historical levels
- ▶▶ Commodity environment having significant unfavorable direct and indirect impact
  - Price increases from suppliers
  - Productivity negotiations with customers
  - Material cost savings ideas with suppliers and customers
- ▶▶ Duration leading to increased troubled-supplier activity for Lear
  - Increased on-site support
  - Selective re-sourcing required
  - Many financial / legal workouts in progress
- ▶▶ Continuing implementation of commodity cost offset actions with mixed results, but generally in line with expectations

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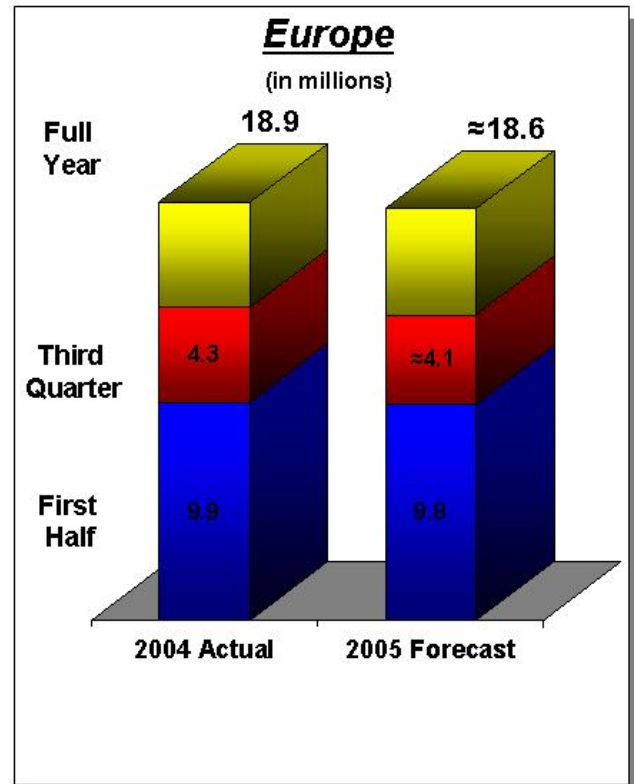
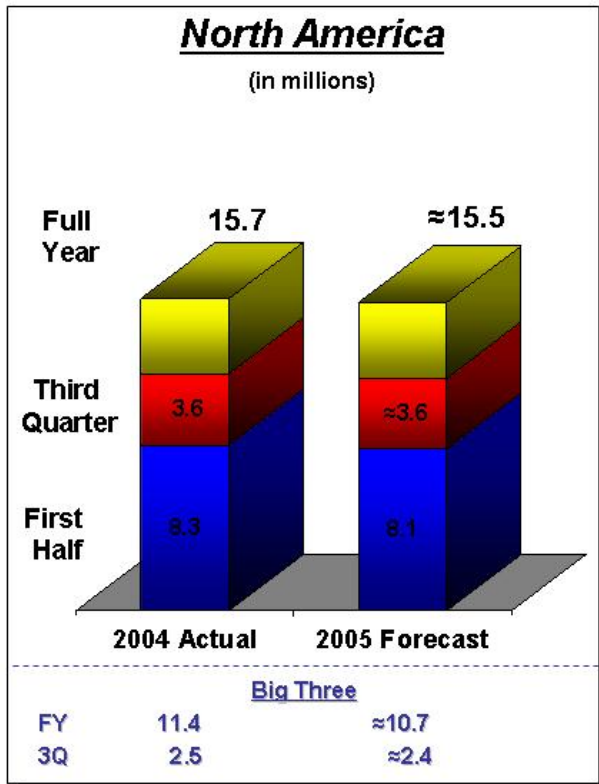
\* Please see slide titled "Forward-Looking Statements" at the end of this presentation for further information.

## Second Quarter Free Cash Flow\*

(in millions)	<b>2005</b> <b>Second Quarter</b>	<b>2005</b> <b>Six Months</b>
Net Loss	\$ (44.4)	\$ (28.8)
Depreciation / Amortization	95.7	191.3
Working Capital / Other	89.0	96.3
<b>Cash from Operations*</b>	<b>\$ 140.3</b>	<b>\$ 258.8</b>
Capital Expenditures	(149.7)	(279.1)
<b>Free Cash Flow*</b>	<b>\$ (9.4)</b>	<b>\$ (20.3)</b>

\* Cash from Operations represents net cash provided by operating activities (\$407.6 and \$526.1 for the three and six months ended 7/02/05, respectively) before net change in sold accounts receivable (\$267.3 for the three and six months ended 7/02/05). Please see slides titled "Use of Non-GAAP Financial Information" at the end of this presentation for further information.

# 2005 Outlook Vehicle Production Assumptions\*

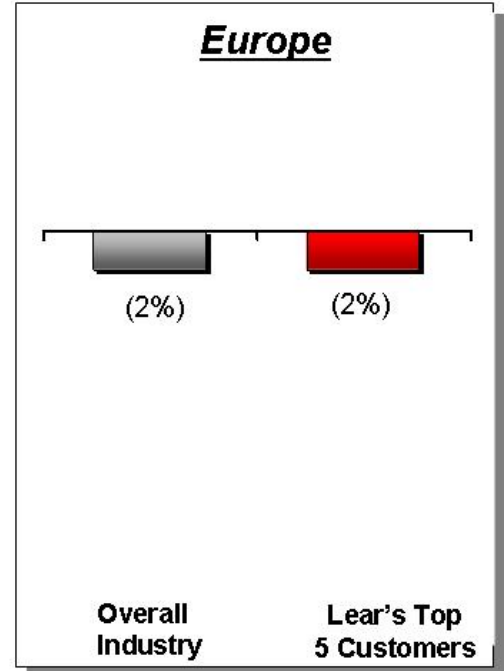
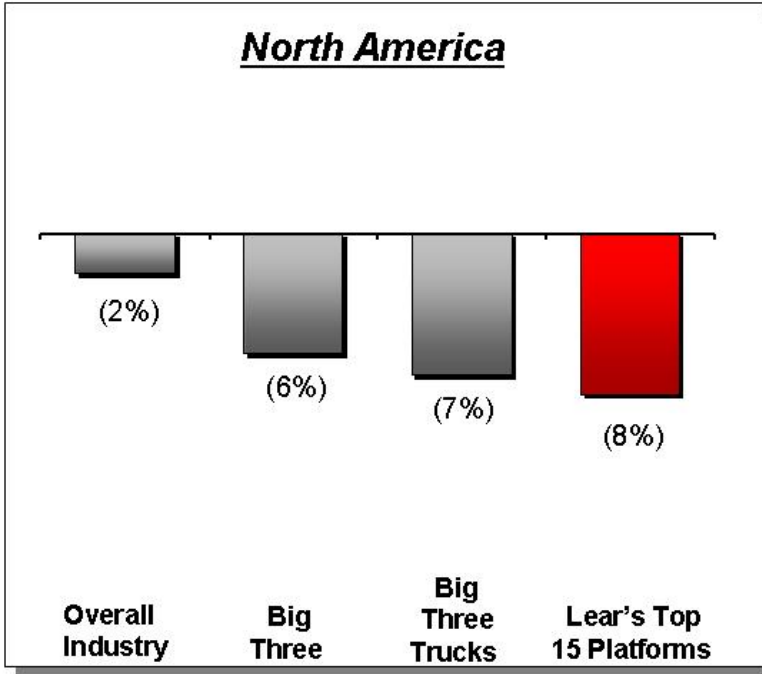


\* Please see slide titled "Forward-Looking Statements" at the end of this presentation for further information.

# 2005 Outlook Full Year Production Environment\*



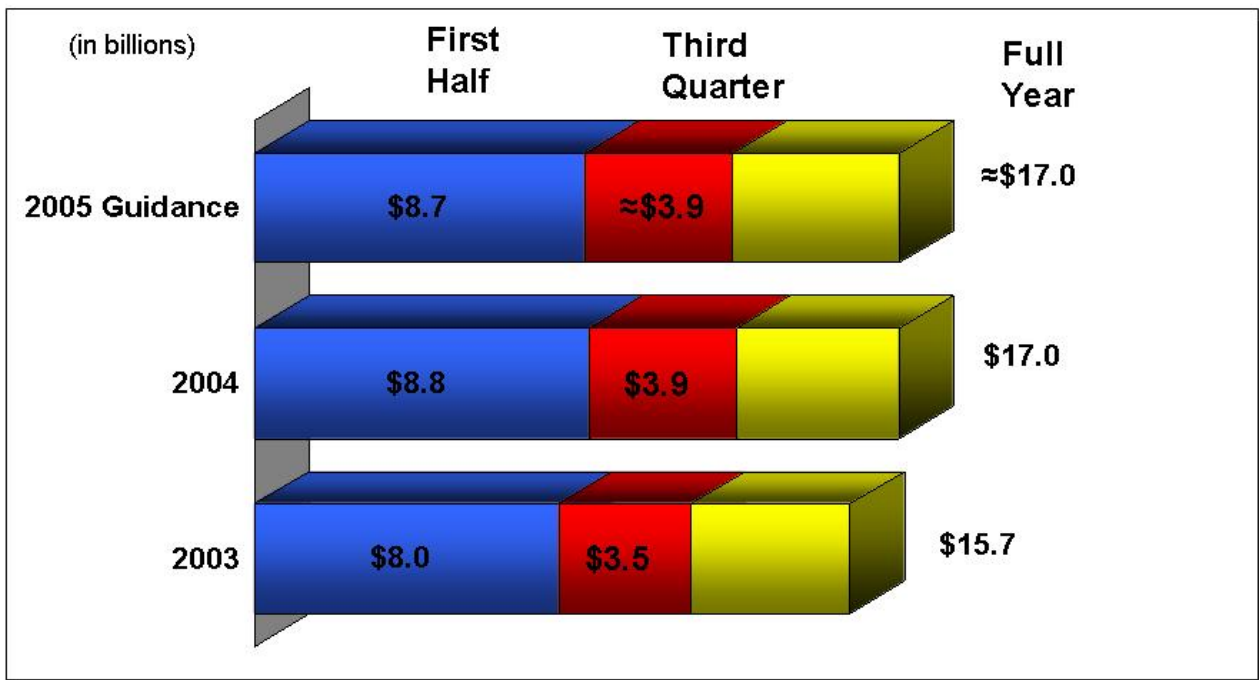
## FY 2005 Compared with FY 2004



\* Please see slide titled "Forward-Looking Statements" at the end of this presentation for further information.



# 2005 Outlook Net Sales\*



\* Please see slide titled "Forward-Looking Statements" at the end of this presentation for further information.

# 2005 Third Quarter and Full Year Net Income (Loss) Per Share Guidance\*



(in millions)	Third Quarter	Full Year	Memo:			
	Net (Loss) Per Share	Net Income (Loss) Per Share	Income Statement Category			
			COGS	SG&A	Interest	Other Expense
<b>Reported Results</b>	\$ (0.70) - (0.90)	\$ (0.25) - 0.15	-	-	-	-
<i>Reported results include the following items:</i>						
<b>Restructuring</b>	\$ (0.55)	\$ ≈ (1.35)	\$ (1.25)	\$ (0.10)	-	-
<b>Litigation Charges (2Q)</b>	N/A	(0.40)	-	\$ (0.33)	\$ (0.07)	-
<b>Equity Investment Impairment (2Q)</b>	N/A	(0.25)	-	-	-	\$ (0.25)
<b>Tax Benefit (1Q)</b>	N/A	0.25	-	-	-	-
<b>Total</b>	<u>\$ (0.55)</u>	<u>\$ ≈ (1.75)</u>				

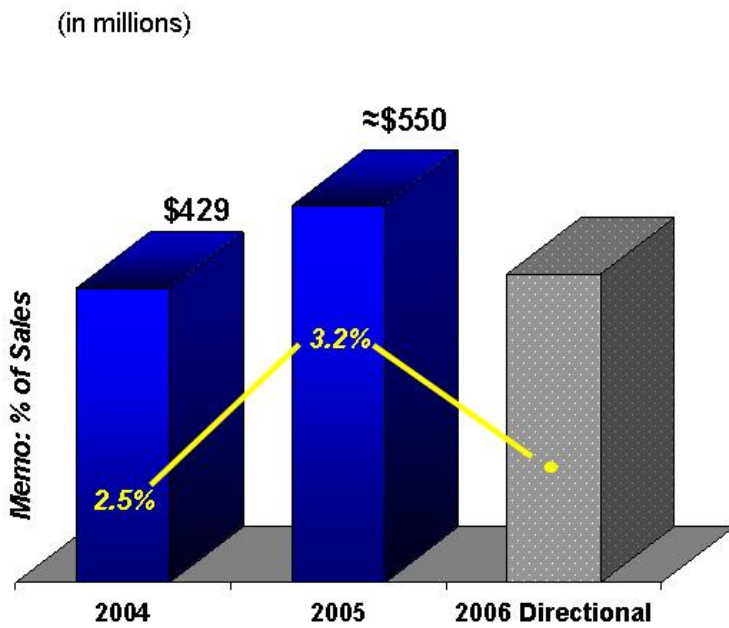
\* Please see slide titled "Forward-Looking Statements" at the end of this presentation for further information.

## Changes from Full-Year Prior Guidance\*

Performance Factor	Sales Impact <i>(millions)</i>	Earnings Impact	Comments
<b>Industry Production, Platform / Product Mix</b>	\$ (200)	(Adverse)	New shutdown weeks on key platforms
<b>Foreign Exchange</b>	(350)	(Low)	Euro @ \$1.20 - 1.25 vs. \$1.25 - 1.35
<b>Net Global New Business</b>	(50)	(Low-Medium)	Some backlog program volumes ramping-up modestly slower than expected
<b>Net Commodity Costs</b>	-	(Adverse)	Largely driven by supply base issues
<b>Restructuring Costs</b>	-	(Adverse)	Roll out expected throughout year
<b>Net Performance &amp; All Other</b>	-	Neutral	Excluding litigation charges, overall operating performance neutral

\* Please see slide titled "Forward-Looking Statements" at the end of this presentation for further information.

# 2005 Outlook Trend of Capital Expenditures\*



## CapX Increase Related To:

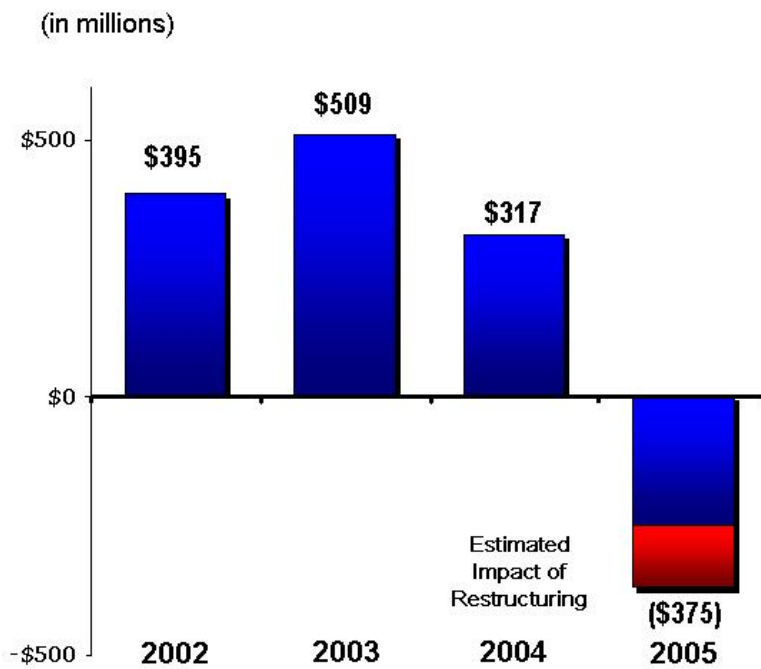
- ▶▶ Record number of model launches
- ▶▶ Low-cost country infrastructure
- ▶▶ Lear Flexible Seating Architecture (LFSA)
- ▶▶ Lear-owned tooling
  - Distressed suppliers

**Capital Spending Level  
Should Trend Lower On Ongoing Basis**

\* Please see slide titled "Forward-Looking Statements" at the end of this presentation for further information.

# 2005 Outlook

## Trend of Free Cash Flow\*



### 2005 Cash Flow Drivers:

- ▶▶ Earnings depressed
- ▶▶ CapX, tooling
- ▶▶ Restructuring year 1
- ▶▶ GM payment terms (one-time impact)

### 2006 Cash Flow Drivers:

- ▶▶ Earnings improvement
- ▶▶ Lower CapX, tooling
- ▶▶ Restructuring year 2
- ▶▶ New payment terms in place

## 2006 Free Cash Flow To Improve

\* Please see slides titled "Use of Non-GAAP Financial Information" and "Forward-Looking Statements" at the end of this presentation for further information.

## Revenue and Margin Outlook\*

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### ▶▶ Revenue

- Lear platform mix improves
- Customer and geographic sales mix continues to diversify

### ▶▶ Margins

- Focus on higher value-added interior products
- Improve or divest portions of under-performing interior components business

***Global Footprint And Market Leadership /  
Expertise Allows Lear To Participate In All Platform  
Segments With All Global OEMs***

\* Please see slide titled "Forward-Looking Statements" at the end of this presentation for further information.

# **Lear Strategy and Restructuring Actions**

## Strategic Focus

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- ▶▶ Retain Core Values
  - Quality first
  - Continued customer service
  - LBO mentality/lean and accountable
  
- ▶▶ Re-Focus Our Plan
  - Focus on seats and electrical / electronics
  - Improve or divest non-competitive businesses
  - Selective vertical integration in Tier 2 and Tier 3 (with product or process innovation advantage)
  
- ▶▶ Emphasis on Execution
  - Discipline in pricing new program awards
  - Operational excellence
    - Optimal global production and sourcing footprint
    - Lean manufacturing
    - Global supply chain excellence
  - Flawless launch management
  - Flexible labor contracts

***Must Create New Value In Supply Chain***



# Strategic Outlook for Product Groups\*

	YTD % of Sales	History	Current State	Outlook
Seats	65%	Stable Margins Low CapX	Margin Pressure/Raw Materials LFSA Investment	Leverage Value-Add Proposition
Electronics / Electrical	18%	Labor Intensive Higher Margins Medium CapX	Increasing Low-Cost Sources Margin Pressure Investment in New Products	Profitable Growth Opportunity
Interior Systems	17%	Higher Margins High CapX Integration Options	Unacceptable Returns High CapX Commodity Pricing	Exploring Strategic Options
<b>Total</b>	<b>100%</b>			

- ▶▶ Raw materials/distressed supply base impacting current results
- ▶▶ Global restructuring to address overcapacity/improve costs

\* Please see slide titled "Forward-Looking Statements" at the end of this presentation for further information.

## Continued Growth and Diversification\*



- ▶▶ 2005 & 2006 backlog driving peak launch activity
- ▶▶ ≈ 50% of total backlog with Asian and European customers
- ▶▶ Continuing to work with all customers to offset raw material cost increases

### ***Unprecedented Two-Year Backlog Driving Intensive Near-Term Launch Activity***

\* Please see slide titled "Forward-Looking Statements" at the end of this presentation for further information.

## North America – Backlog

### New and Replacement Programs:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Content</u>
Buick LaCrosse	+			Seats, Electronics
Ford Five Hundred	+			Seats, OH Systems, F&A
Ford Freestyle	+			Seats, OH Systems, F&A
Buick Lucerne	+	+		Total Interior Integrator Program, Electrical Distribution
Cadillac DTS	+	+		Total Interior Integrator Program, Electrical Distribution
Dodge Ram Pick-up	+	+		Seats, OH Systems, Door Panels, Headliner, IP
Ford Fusion / Milan / Zephyr	+	+		Seats
Ford Explorer / Mountaineer	+	+		Seats, Door Panels, Electrical Distribution
Chevy HHR	+	+		Cockpit, Flooring Integration
Chevy Impala / Monte Carlo	+	+		Seats
Hyundai Sonata	+	+		Seats
Subaru Tribeca	+	+		Seats
Mazda 6	+		+	Seats, Electrical Distribution
Hyundai Santa Fe		+	+	Seats, TPMS
GMT900 SUVs and Trucks		+	+	Seats, Door Panels
Nissan Platina		+		OH Systems, Trim
Nissan Sentra		+		OH Systems, Trim, F&A
DCX Caliber		+	+	OH Systems, Trim, F&A, Door Panels, IP

▶▶ **2005 is a transition year for Lear's platform mix**

- More than half of Lear's major North American platforms are turning over in 2005
- Representing more than 40% of North American revenue

## International – Backlog

### New and Replacement Programs:

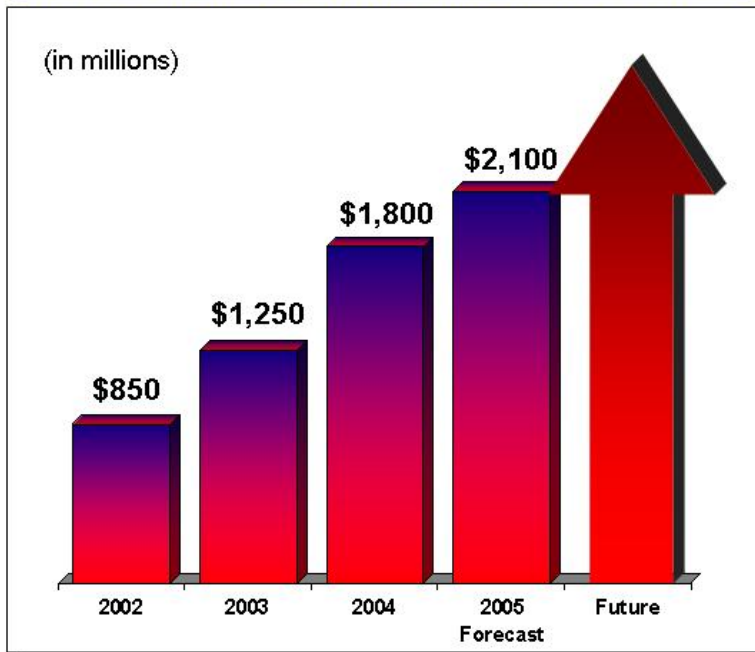
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Content</u>
Ford Focus**	+			Electrical Distribution
Peugeot 1007	+			Seats, Electrical Distribution
*Nissan Serena	+			Electrical Distribution
Peugeot 407	+			Seats, Electrical Distribution
Peugeot 407 Coupe	+	+		Seats
*Audi A6	+	+		Seats
PSA / Toyota Sub-B	+	+		Seats
BMW 3-Series	+	+		Seats, Electronics
BMW 1-Series	+	+		Seats, Electronics
VW Cabrio		+		Seats
Peugeot 207		+		Seats, Electrical Distribution
*Hyundai EN (new SUV)		+	+	Seats
Ford Galaxy**		+	+	Seats
Ford Mondeo**			+	Seats
Fiat Stilo		+	+	Seats
Range Rover		+	+	Seats
Nissan X-Trail			+	Electrical Distribution
Mercedes C-Class			+	Seats

\* Asia only

\*\* Europe and Asia

## Emphasis on Growing Our Asian Sales\*\*

### Revenue in Asia & with Asian Manufacturers\*



#### ▶▶ Hyundai

- Sonata: seats & wire harness award in NA
- Several electronics awards (TPMS) in NA
- Tucson: seats in Korea
- Tucson/Sonata: seats in China
- Small Car platform: seats in China with JV

#### ▶▶ Nissan

- Global seating with JV partner, Tachi-S
- Electrical distribution program in Europe
- Platina: interior trim in NA

#### ▶▶ Toyota

- Tundra: interior trim in NA
- Aygo: seats (Toyota/PSA JV) in Europe
- F&A award with NA JV partner

#### ▶▶ VW/Audi

- Seats and electronics in Europe
- Audi A6: seats in China

#### ▶▶ Honda

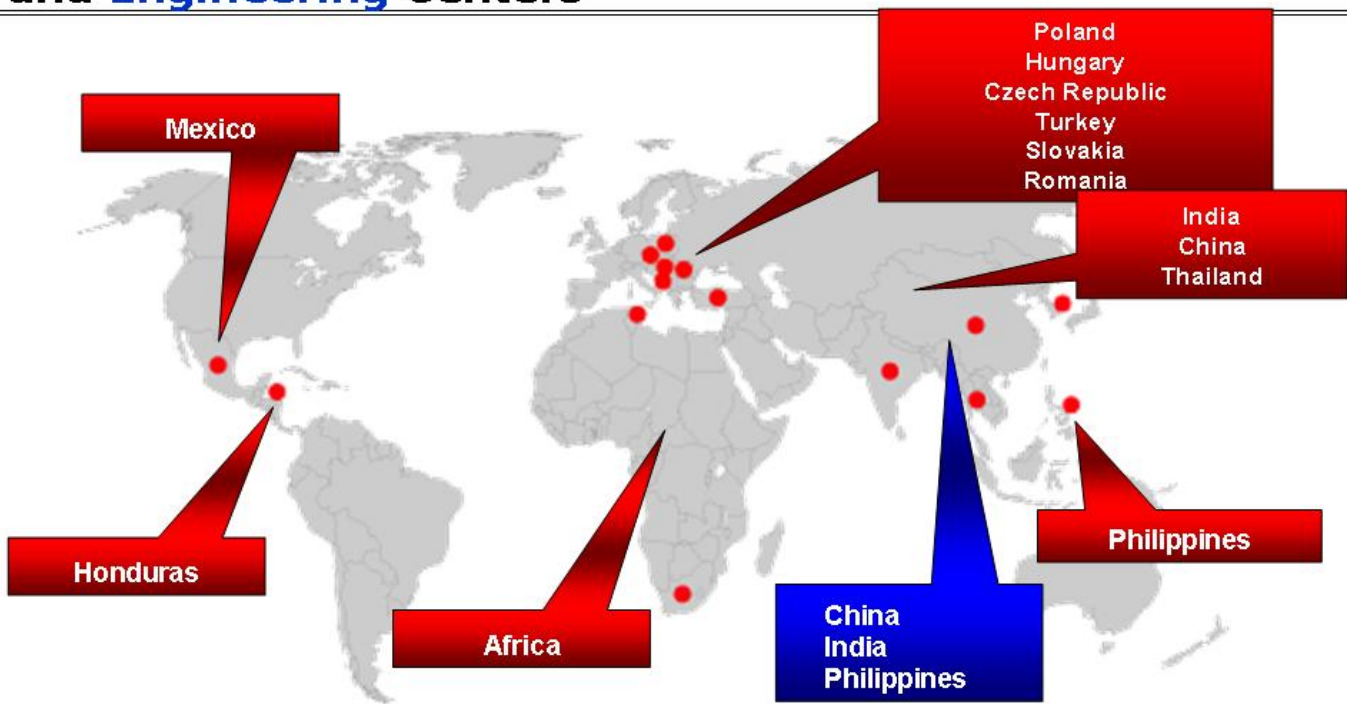
- Electrical distribution in NA

## Lear's Total Asian-Related Sales Are Growing At A Rapid Rate

\* Consolidated and unconsolidated sales.

\*\* Please see slide titled "Forward-Looking Statements" at the end of this presentation for further information.

# Low-Cost **Manufacturing** Capabilities and **Engineering** Centers



- ▶▶ Approximately 20% of sales manufactured in low-cost locations
- ▶▶ Move to low-cost countries accelerated through restructuring actions

## Restructuring Actions

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- ▶▶ Acceleration of move to low-cost country production
  - Additional vertical integration -- Mexico and Eastern Europe <sup>(1)</sup>
  - Electronics capability added in Asia
  - Electrical distribution to Eastern Europe, Honduras and North Africa
- ▶▶ Streamlining of organization structure
  - Align with customer shift to global vs. regional focus
- ▶▶ Elimination of excess capacity
  - Consolidation of interiors plants (i.e., door panels, headliners)

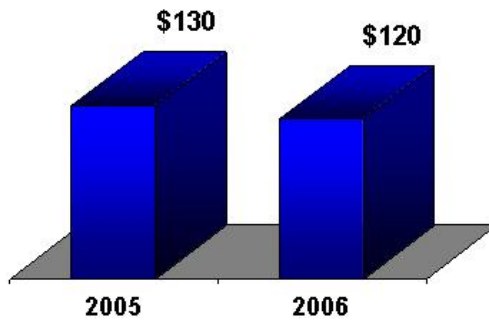
### ***Position Lear For Improved Long-Term Competitiveness***

<sup>(1)</sup> Romania, Hungary, Poland, Slovakia

## Restructuring Implementation Status\*\*\*

### Estimated Pre-Tax Restructuring Cost\*

(in millions)



Cash impact  $\approx$ 80%\*\*

### Comprehensive Repositioning Actions:

- ▶▶ \$250M total – global in nature
- ▶▶ Targeting 5% to 7% reduction in worldwide headcount
- ▶▶ Actions to date involve more than 20 manufacturing facilities
- ▶▶ Additional facilities may be impacted as actions are finalized
- ▶▶ Payback expected in 2-3 years

\* Actual restructuring costs will be dependent on various factors, including the timing of certain actions, and may vary from current estimates.

\*\* Includes estimated capital expenditures.

\*\*\* Please see slide titled "Forward-Looking Statements" at the end of this presentation for further information.



## **Long-Term Outlook Remains Positive for Lear\***

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- ▶▶ Major high-volume program launches complete
- ▶▶ Margins reach full run rate efficiency on 2005-06 launches
- ▶▶ Supply base actions mitigate structurally higher costs incurred in 2005-06
  - Low-cost country sourcing
  - CTO training and assistance
  - Compression toward financially stronger partners
- ▶▶ Full-year benefit of restructuring activity
- ▶▶ Improve or de-emphasize under-performing interior components business
- ▶▶ Continued focus on sales diversification
  - Customer
  - Geographic
  - Market segment

### ***Cash Generation And Operating Margins Return To More Normalized Levels***

\* Please see slide titled "Forward-Looking Statements" at the end of this presentation for further information.



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## Use of Non-GAAP Financial Information

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In addition to the results reported in accordance with accounting principles generally accepted in the United States ("GAAP") included throughout this presentation, the Company has provided information regarding "income before interest, other expense and income taxes" (core operating earnings) and "free cash flow" (non-GAAP financial measures.) Free cash flow represents net cash provided by operating activities before the net change in sold accounts receivable, less capital expenditures. The Company believes it is appropriate to exclude the net change in sold accounts receivable in the calculation of free cash flow since the sale of receivables may be viewed as a substitute for borrowing activity.

Management believes that the non-GAAP financial measures used in this presentation are useful to both management and investors in their analysis of the Company's financial position and results of operations. In particular, management believes that income before interest, other expense and income taxes is a useful measure in assessing the Company's financial performance by excluding certain items that are not indicative of the Company's core operating earnings or that may obscure trends useful in evaluating the Company's continuing operating activities. Management believes that free cash flow is useful to both management and investors in their analysis of the Company's ability to service and repay its debt. Further, management uses these non-GAAP financial measures for planning and forecasting in future periods.

Neither income before interest, other expense and income taxes nor free cash flow should be considered in isolation or as substitutes 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, the calculation of free cash flow does not reflect cash used to service debt and therefore, does not reflect funds available for investment or other discretionary uses. Also, these non-GAAP financial measures, as determined and presented by the Company, may not be comparable to related or similarly titled measures reported by other companies.

Set forth on the following slides are reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP.

# Use of Non-GAAP Financial Information

## Core Operating Earnings

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(in millions)	Three Months	
	Q2 2005	Q2 2004
<b><u>Income before interest, other expense and income taxes</u></b>		
Income (loss) before income taxes	\$( 50.4 )	\$ 158.9
Interest expense	48.2	39.2
Other expense, net	32.2	14.8
Income before interest, other expense and income taxes (core operating earnings)	<u>\$ 30.0</u>	<u>\$ 212.9</u>

# Use of Non-GAAP Financial Information

## Free Cash Flow



(in millions)	Three Months	Six Months	Full Year		
	Q2 2005	Q2 2005	2004	2003	2002
<b>Free Cash Flow</b>					
Net cash provided by operating activities	\$ 407.6	\$ 526.1	\$ 675.9	\$ 586.3	\$ 545.1
Net change in sold accounts receivable	(267.3)	(267.3)	70.4	298.1	122.2
Net cash provided by operating activities before net change in sold accounts receivable	140.3	258.8	746.3	884.4	667.3
Capital expenditures	(149.7)	(279.1)	(429.0)	(375.6)	(272.6)
Free cash flow	\$ (9.4)	\$ (20.3)	\$ 317.3	\$ 508.8	\$ 394.7

## Forward-Looking Statements

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This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding anticipated financial results. Actual results may differ materially from anticipated results as a result of certain risks and uncertainties, including but not limited to, general economic conditions in the markets in which the Company operates, fluctuations in the production of vehicles for which the Company is a supplier, labor disputes involving the Company or its significant customers or suppliers or that otherwise affect the Company, the Company's ability to achieve cost reductions that offset or exceed customer-mandated selling price reductions, the outcome of customer productivity negotiations, the impact and timing of program launch costs, the costs and timing of facility closures, business realignment or similar actions, increases in the Company's warranty or product liability costs, risks associated with conducting business in foreign countries, competitive conditions impacting the Company's key customers, raw material cost and availability, the Company's ability to mitigate the significant impact of recent increases in raw material, energy and commodity costs, the outcome of legal or regulatory proceedings to which the Company is or may become a party, unanticipated changes in free cash flow, the finalization of the Company's restructuring plan, potential impairment or other charges related to the implementation of the Company's business strategy or adverse industry conditions and other risks described from time to time in the Company's Securities and Exchange Commission filings.

This presentation also contains information on the Company's sales backlog. The Company's incremental sales backlog reflects: anticipated net sales from awarded new programs, less net sales from phased-out and cancelled programs. The calculation of backlog does not reflect customer price reductions on existing or newly-awarded programs. The three-year backlog may be impacted by various assumptions embedded in the calculation, including vehicle production levels on new and replacement programs, foreign exchange rates and the timing of program launches.

In addition, the third-quarter and full-year 2005 per share earnings guidance is based on an assumed 67 million shares outstanding. The third-quarter and full-year assumed shares exclude 4.8 million shares related to the Company's outstanding convertible debt, as well as outstanding options and restricted stock units, as inclusion at the mid-point of the guidance ranges would have resulted in antidilution.

The forward-looking statements in this presentation, including the Company's financial outlook, are made as of the date hereof, and the Company does not assume any obligation to update them to reflect events, new information or circumstances occurring after the date hereof.