



**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): **October 21, 2004**

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

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

On October 21, 2004, Lear Corporation issued a press release reporting its financial results for the third quarter of 2004 and updating its earnings guidance for 2004. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated by reference herein.

On October 21, 2004, Lear Corporation made available the presentation slides attached hereto as Exhibit 99.2 in a webcast of its third quarter 2004 earnings call. Exhibit 99.2 is incorporated by reference herein.

The information contained in Exhibits 99.1 and 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.

**Item 7.01. Regulation FD Disclosure.**

See "Item 2.02. Results of Operations and Financial Condition" above.

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

(c) Exhibits

99.1 Press release issued October 21, 2004, furnished herewith.

99.2 Presentation slides from the Lear Corporation webcast of its third quarter 2004 earnings call held on October 21, 2004, 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: October 21, 2004

By: /s/ David C. Wajsgras

Name: David C. Wajsgras

Title: Senior Vice President and  
Chief Financial Officer

**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
99.1	Press release issued October 21, 2004, furnished herewith.
99.2	Presentation slides from the Lear Corporation webcast of its third quarter 2004 earnings call held on October 21, 2004, furnished herewith.

FOR IMMEDIATE RELEASE

**Investor Relations:**Anne Bork  
(248) 447-5914**Media:**Andrea Puchalsky  
(248) 447-1651**Lear Posts Record Third Quarter Net Sales of \$3.9 Billion**

**Southfield, Mich., October 21, 2004** — Lear Corporation [NYSE: LEA], one of the world's largest automotive interior systems suppliers, today reported financial results for the third quarter of 2004 and provided fourth quarter 2004 guidance as well as a directional outlook for 2005.

**Third Quarter Highlights:**

- **Record net sales of \$3.9 billion, up 12% from a year ago**
- **Reported net income of \$1.32 per share, including a \$0.22 benefit from a favorable prior years' tax settlement**
- **Solid financial results in Europe; on-track for continued improvement**
- **Integration of terminals and connectors acquisition proceeding well**

For the third quarter of 2004, Lear posted record net sales of \$3.9 billion and net income of \$91.7 million, or \$1.32 per share, including a \$0.22 benefit from a prior years' tax settlement. These results compare to net sales of \$3.5 billion and net income of \$76.1 million, or \$1.10 per share, for the third quarter of 2003.

"Despite escalating raw material and energy prices, the Lear team remained focused on meeting the requirements of our customers and delivering value to our shareholders," said Bob Rossiter, Lear Chairman and Chief Executive Officer. "We continue to invest in the business on a global basis, and I am pleased that the aggressive actions we have taken to improve our operations in Europe are paying off."

Net sales rose \$406 million, or 12%, from the comparable period last year. The sales increase reflects primarily the addition of new business globally and the impact of foreign currency, offset in part by unfavorable vehicle production mix.

(more)

Net income per share was \$1.32 in the quarter compared with \$1.10 a year earlier. The improvement reflects primarily a \$0.22 benefit from a prior years' tax settlement. Favorable operating performance and a stronger level of new business were offset by unfavorable vehicle production mix and increasing commodity costs.

Free cash flow was \$40.8 million for the third quarter of 2004. (Net cash provided by operating activities was \$131.9 million. A reconciliation of free cash flow to net cash provided by operating activities is provided in the supplemental data page.)

#### **Fourth Quarter and Full Year 2004 Guidance**

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 Big Three 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. The fourth quarter and full year effective tax rate is expected to be in the 24% range.

Lear's 2004 industry production planning assumptions are now 15.8 million units for North America and 18.5 million units for Europe (16.1 million for Western Europe). Full year capital spending is forecasted to be approximately \$400 million, with depreciation of about \$365 million. Free cash flow is expected to be approximately \$300 million, with interest expense of about \$165 million.

#### **Directional 2005 Outlook**

For 2005, net sales are anticipated to be a record, increasing in the range of 5% to 7%, supported by Lear's largest-ever annual backlog. Operating earnings are expected to increase in the range of 5% to 10%, compared with 2004. Additional financial details for 2005 will be released in January 2005.

Lear will webcast its third quarter earnings conference call through the Investor Relations link at [www.lear.com](http://www.lear.com) at 9:00 a.m. EDT on October 21, 2004. In addition, the conference call can be accessed by dialing 1-800-789-4751 (domestic) or 1-706-679-3323 (international). The audio replay will be available two hours following the call at 1-800-642-1687 (domestic) or 1-706-645-9291 (international) and will be available until November 5, 2004, with a Conference I.D. of 41513.



Lear Corporation, a FORTUNE 500 company headquartered in Southfield, Michigan, USA, focuses on integrating complete automotive interiors, including seat systems, interior trim and electrical systems. With annual net sales of \$15.75 billion in 2003, 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. At December 31, 2003, Lear had 289 facilities located in 34 countries. Further information about Lear and its products is available on the internet at [www.lear.com](http://www.lear.com).

#### **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 free cash flow to net cash provided by operating activities, see the supplemental data page which, together with this press release, has been posted on the Company's 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, including changes in interest rates and fuel prices, 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 impact and timing of program launch costs, the costs and timing of facility closures or similar actions, increases in the Company's 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 the Company operates, competitive conditions impacting the Company's key customers, raw material cost and availability, the Company's ability to successfully integrate the recently acquired terminals and connectors operations, the outcome of legal or regulatory proceedings to which the Company is or may become a party, unanticipated changes in free cash flow and other risks described from time to time in the Company's Securities and Exchange Commission filings.

In addition, the fourth quarter and full year 2004 per share earnings guidance is based on an assumed 69.8 million and 70.0 million shares outstanding, respectively, and does not reflect the adoption of Emerging Issues Task Force ("EITF") 04-08, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share." The Company will adopt EITF 04-08 in the fourth quarter of 2004. As a result, the impact of the assumed conversion of the outstanding convertible senior notes is expected to reduce fourth quarter and full year 2004 per share earnings by approximately \$0.08 and \$0.26 — \$0.27, respectively.

The forward-looking statements in this news release are made as of the date hereof, and the Company does not assume any obligation to update them.

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

(Unaudited; in millions, except per share amounts)

	Three Months Ended	
	October 2, 2004	September 27, 2003
Net sales	\$3,897.8	\$3,491.5
Cost of sales	3,577.6	3,187.8
Selling, general and administrative expenses	161.1	140.6
Interest expense	43.3	44.0
Other expense, net	10.0	13.4
Income before income taxes	105.8	105.7
Income taxes	14.1	29.6
Net income	<u>\$ 91.7</u>	<u>\$ 76.1</u>
Basic net income per share	<u>\$ 1.34</u>	<u>\$ 1.13</u>
Diluted net income per share	<u>\$ 1.32</u>	<u>\$ 1.10</u>
Weighted average number of shares outstanding — basic	<u>68.3</u>	<u>67.1</u>
Weighted average number of shares outstanding — diluted	<u>69.7</u>	<u>69.0</u>

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

(Unaudited; in millions, except per share amounts)

	Nine Months Ended	
	October 2, 2004	September 27, 2003
Net sales	\$12,673.9	\$11,491.4
Cost of sales	11,635.2	10,525.9
Selling, general and administrative expenses	487.5	428.8
Interest expense	121.6	144.7
Other expense, net	38.9	40.6
Income before income taxes	390.7	351.4
Income taxes	91.5	103.3
Net income	\$ 299.2	\$ 248.1
Basic net income per share	\$ 4.37	\$ 3.74
Diluted net income per share	\$ 4.26	\$ 3.65
Weighted average number of shares outstanding — basic	68.5	66.3
Weighted average number of shares outstanding — diluted	70.2	68.1

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

(In millions)

	October 2, 2004	December 31, 2003
	(Unaudited)	(Audited)
<b>ASSETS</b>		
<b>Current:</b>		
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
	<u>4,197.6</u>	<u>3,375.4</u>
<b>Long-Term:</b>		
PP&E, net	1,930.4	1,817.8
Goodwill, net	2,968.1	2,940.1
Other	480.4	437.7
	<u>5,378.9</u>	<u>5,195.6</u>
<b>Total Assets</b>	<u>\$9,576.5</u>	<u>\$8,571.0</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current:</b>		
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
	<u>4,501.8</u>	<u>3,582.1</u>
<b>Long-Term:</b>		
Long-term debt	1,854.1	2,057.2
Other	708.0	674.2
	<u>2,562.1</u>	<u>2,731.4</u>
<b>Stockholders' Equity</b>	<u>2,512.6</u>	<u>2,257.5</u>
<b>Total Liabilities and Stockholders' Equity</b>	<u>\$9,576.5</u>	<u>\$8,571.0</u>

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

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

	Three Months Ended	
	October 2, 2004	September 27, 2003
<b>Net Sales</b>		
North America	\$2,113.3	\$2,089.3
Europe	1,494.5	1,228.5
Rest of World	290.0	173.7
Total	<u>\$3,897.8</u>	<u>\$3,491.5</u>
<b>Content Per Vehicle *</b>		
North America	\$ 592	\$ 581
Total Europe	\$ 366	\$ 309
Western Europe	\$ 395	\$ 327
<b>Free Cash Flow **</b>		
Net cash provided by operating activities	\$ 131.9	\$ 102.3
Net change in sold accounts receivable	—	51.3
Net cash provided by operating activities before net change in sold accounts receivable	131.9	153.6
Capital expenditures	(91.1)	(76.9)
Free cash flow	<u>\$ 40.8</u>	<u>\$ 76.7</u>
<b>Depreciation</b>	\$ 86.8	\$ 82.6
	Nine Months Ended	
	October 2, 2004	September 27, 2003
<b>Net Sales</b>		
North America	\$ 6,986.7	\$ 7,002.3
Europe	4,922.1	4,015.7
Rest of World	765.1	473.4
Total	<u>\$12,673.9</u>	<u>\$11,491.4</u>
<b>Content Per Vehicle *</b>		
North America	\$ 583	\$ 592
Total Europe	\$ 354	\$ 300
Western Europe	\$ 378	\$ 312
<b>Free Cash Flow **</b>		
Net cash provided by operating activities	\$ 444.0	\$ 359.6
Net change in sold accounts receivable	70.4	190.9
Net cash provided by operating activities before net change in sold accounts receivable	514.4	550.5
Capital expenditures	(283.7)	(214.2)
Free cash flow	<u>\$ 230.7</u>	<u>\$ 336.3</u>
<b>Depreciation</b>	\$ 256.9	\$ 234.7

\* Content Per Vehicle for 2003 has been updated to reflect actual production levels.

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



Exhibit 99.2

# *Third Quarter 2004 Results and Fourth Quarter Guidance*

## *October 21, 2004*

world's leading automotive interior supplier

▶▶ *advance relentlessly*

*fast forward*



## Agenda

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- ▶▶ Lear's Game Plan
  - *Bob Rossiter, Chairman and CEO*
  
- ▶▶ Operating Review
  - *Jim Vandenberghe, Vice Chairman*
  
- ▶▶ Financial Review and Guidance
  - *Dave Wajsgras, SVP and CFO*
  
- ▶▶ Q & A



# Lear's Game Plan

## Lear's Game Plan

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- ▶▶ Our #1 priority is delivering superior value to our customers
  
- ▶▶ We are also continuously working to improve our operating fundamentals
  
- ▶▶ Relentless customer focus and our drive for operational excellence will support profitable growth for Lear going forward

## Third Quarter Highlights

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- ▶▶ We achieved record sales and improved earnings, but our operating margin was down
- ▶▶ Solid financial results in Europe; on-track for continued improvement
- ▶▶ Integration of terminals and connectors acquisition proceeding well
- ▶▶ Steel and other raw material prices continued to escalate

***Lear Performed Well Despite a More  
Challenging Environment***

## **Business Outlook and Lear's Response**

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### Fourth Quarter 2004

- ▶▶ Unfavorable vehicle production mix
- ▶▶ Rising raw material costs
- ▶▶ Infrastructure realignment costs

### Full Year 2005

- ▶▶ Continue to improve our cost structure
- ▶▶ Deliver record sales backlog

***Lear Team Fully Engaged with  
Customers/Suppliers to Offset Challenges***

# Operating Review

## **Second Half External Factors**

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- ▶▶ Overall vehicle demand and production in our major markets relatively stable
- ▶▶ Key vehicle platforms have experienced weaker demand / lower production
- ▶▶ Continued pressure from our customers to reduce costs
- ▶▶ Rapid escalation of raw material and energy prices since the first quarter of this year

***Production Mix and Commodity Prices Are Adversely Impacting Second Half Results***

## Major Commodities – Impact of Price Increases

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- ▶▶ Unprecedented increases in key commodity prices
- ▶▶ Financial impact to Lear varies by commodity:

Commodity	Impact	Product
Steel	Most significant	Seat frames, tracks, mechanisms
Resins/Plastics	Partially mitigated near-term	Instrument panels, door panels, trim
Copper	Currently small due to agreements	Wire harnesses
Energy	Currently manageable	Logistics and overhead

## **Strategy to Mitigate Higher Material Costs**

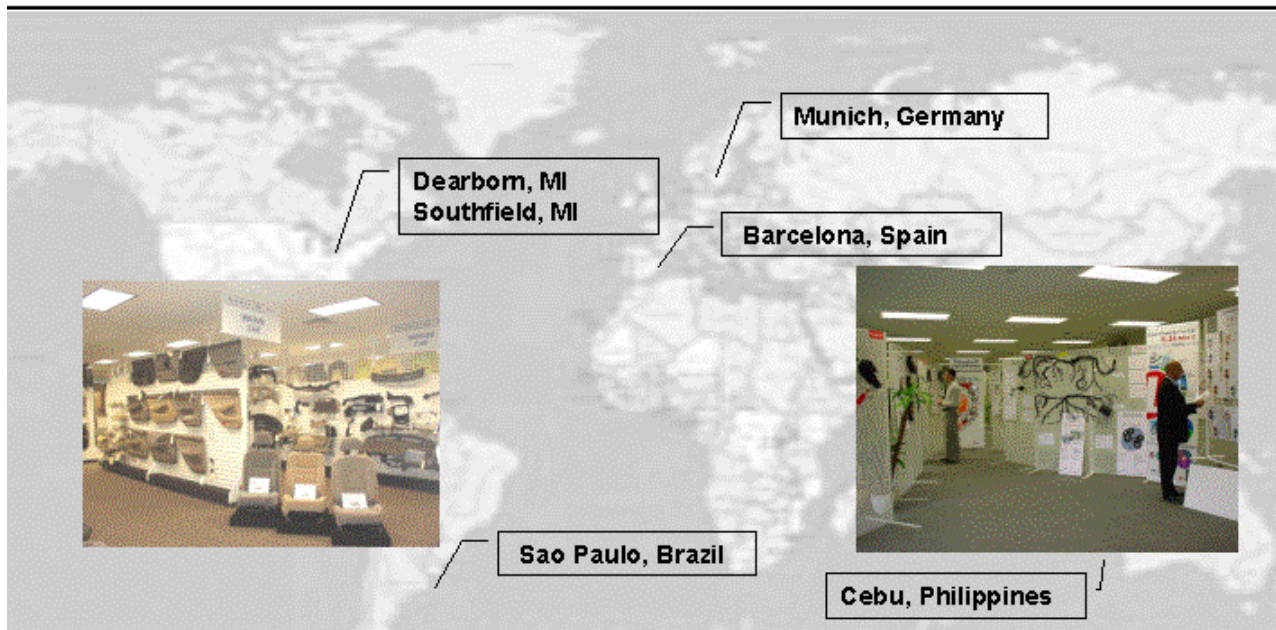
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- ▶▶ Aggressively pursue value-based solutions with all customers and suppliers
- ▶▶ Continue to consolidate supply base
- ▶▶ Selectively in-source components where we have available capacity
- ▶▶ Consolidate administrative functions and reduce costs
- ▶▶ Accelerate low-cost country sourcing and engineering

***Entire Value Chain is Being Targeted for Cost Efficiencies***

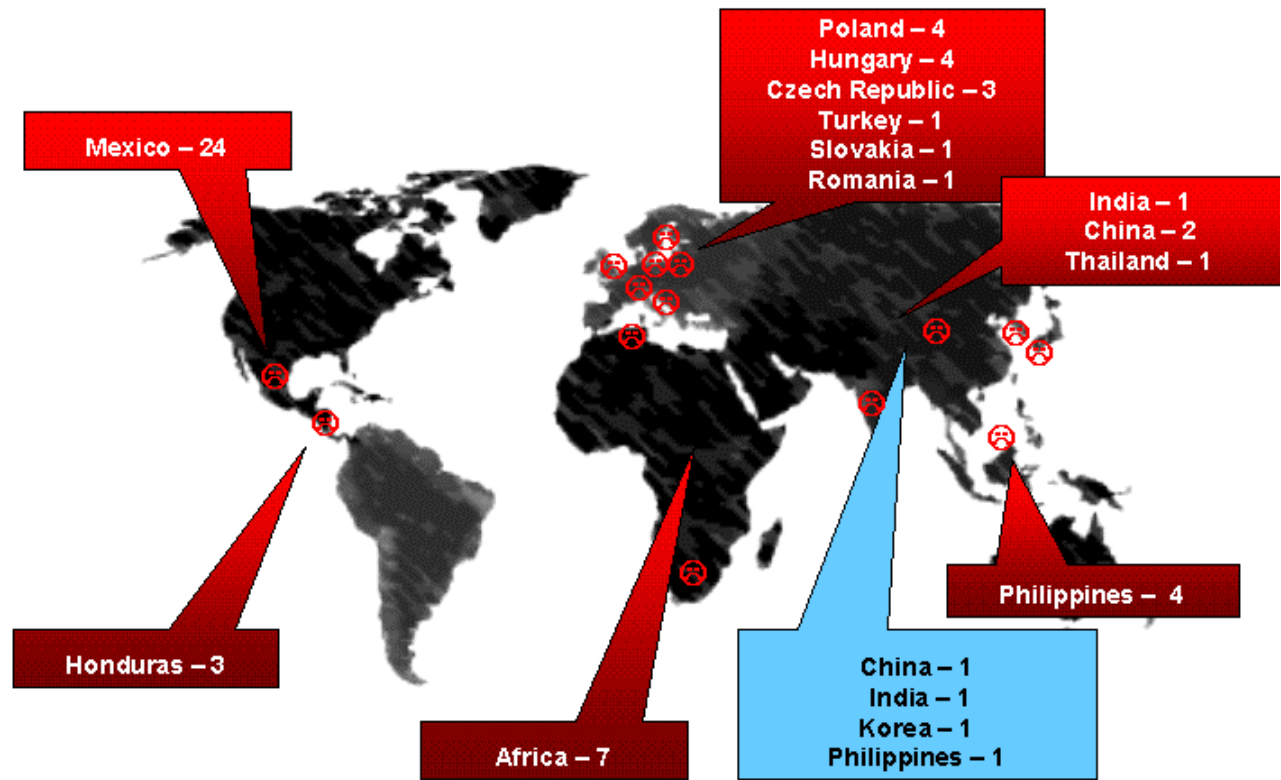


## Cost Technology Optimization (CTO) Centers



***CTO Evaluates All Areas for Cost Reduction***

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



## Lear's Terminals and Connectors Business

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- ▶▶ Evaluated manufacturing footprint – consolidation actions underway
- ▶▶ Leveraging acquired technical expertise throughout Lear's electronics division
- ▶▶ Seeking to expand relationships with customers
- ▶▶ Assessing in-sourcing of current terminals & connectors buy, in progressive steps
  - Some in-sourced quickly
  - Other requires more extensive customer review
  - Rest involves modifications in design



## **Operating Factors in Perspective for the First Nine Months of 2004**

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- ▶▶ Lear has performed well, despite rising raw material and energy prices
- ▶▶ Quality and customer satisfaction continue to improve
- ▶▶ Aggressively working to minimize adverse impact of external factors
- ▶▶ Continuing to invest in growth strategy worldwide

***Focused Strategy Has Allowed Lear to Meet  
Aggressive Customer Requirements  
& Deliver Solid Financial Results***

# **Financial Review and Guidance**

## **Production Environment – 3Q04 vs. 3Q03**

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### **North America**

- ▶▶ Industry production down 1%
- ▶▶ Big Three production down 4%

### **Europe**

- ▶▶ Industry production up 3%
- ▶▶ Western Europe production flat
- ▶▶ Key Lear platforms down more than average

***Production Mix Remains Challenging***

## Financial Highlights – Third Quarter 2004

(millions, except net income per share)	<i>Third Quarter 2004</i>	<i>Third Quarter 2003</i>	<i>3Q '04 B/(W) 3Q '03</i>
Net Sales	\$3,897.8 ✓	\$3,491.5	\$406.3
Income before Interest, Other Expense & Income Taxes (core operating earnings)*	\$159.1	\$163.1	\$(4.0)
Margin	4.1%	4.7%	(60)bps
Net Income	\$91.7	\$76.1	\$15.6
Net Income Per Share	\$1.32	\$1.10	\$0.22
SG&A % of Net Sales	4.1%	4.0%	(10)bps
Interest Expense	\$43.3	\$44.0	\$0.7
Other Expense, Net	\$ 10.0	\$13.4	\$3.4
Effective Tax Rate	13%	28%	15pts

✓ Record

\* Income before income taxes for the third quarter 2004 and 2003 was \$105.8 and \$105.7, respectively. Please see slides titled "Use of Non-GAAP Financial Information" at the end of this presentation for further information.

## 3Q04 vs. 3Q03 Change in Net Sales and Core Operating Earnings

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### Net Sales (up \$406 million)

- + Addition of new business globally
- + Impact of foreign currency, primarily stronger Euro
- + Acquisitions

*offset in part by*

- Global vehicle production mix

### Core Operating Earnings\* (down \$4 million)

- + Net operating performance
- + Profit contribution from new business globally

*primarily offset by*

- Global vehicle production mix
- Costs associated with commodity prices

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



## Free Cash Flow

(millions)	<u>Three Months</u>	<u>Nine Months</u>
Net Income	\$ 92	\$ 299
Depreciation	87	257
Working Capital / Other	( 47 )	( 41 )
<b>Cash from Operations*</b>	<b>\$ 132</b>	<b>\$ 515</b>
Capital Expenditures	( 91 )	( 284 )
<b>Free Cash Flow</b>	<b>\$ 41</b>	<b>\$ 231</b>

\* Cash from Operations represents net cash provided by operating activities (\$132 for three months and \$444 for nine months ended 10/02/04) before net change in sold accounts receivable (\$0 for three months and \$71 for nine months ended 10/02/04). Please see slides titled "Use of Non-GAAP Financial Information" at the end of this presentation.

## Changes in Fourth Quarter Outlook\*

Volume and Mix	Prior	Present	
North America Production	4.1 m units	3.9 m units	▶▶ Production cut selectively to adjust inventory levels
Europe Production	4.7 m units	4.7 m units	▶▶ Jaguar / Opel production cuts
Mix of Production	negative	more negative	▶▶ Key Lear vehicle lines impacted by production cuts

Other Factors	Prior	Present	
Raw Material Prices	moderate impact	significant impact	▶▶ Costs have continued to rise; ability to offset more difficult
Structural Cost Reductions	moderate	accelerated	▶▶ Selected initiatives in response to customer actions

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

## Sales and Net Income Guidance\*

	<u>4Q04</u>	<u>Full Year</u>
Production (units)		
• North America	≈3.9 million	≈15.8 million
• Europe	≈4.7 million	≈18.5 million
Sales	≈\$4.1 billion	≈\$16.8 billion
Net Income Per Share**	\$1.70 – 1.80	\$5.97 – 6.07
Tax Rate		≈24%

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

\*\* Excludes the dilutive impact of the Company's outstanding convertible senior notes: approximately \$0.08 for the Fourth Quarter and \$0.26 – 0.27 for the Full Year.

## Other 2004 Guidance\*

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	<u>Full Year</u>
Capital Spending	≈\$400 million
Depreciation	≈\$365 million
Free Cash Flow*	≈\$300 million
Interest Expense	≈\$165 million

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

## **Factors Impacting 2005 Financials\***

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### **Industry / External**

- ▶▶ High energy and raw material prices
- ▶▶ Aggressive customer demands for cost reduction to continue
- ▶▶ Several major automakers have changed payment terms, which will have a negative impact on our reported cash flow

### **Lear Specific**

- ▶▶ Aggressive cost structure efficiency actions continue
- ▶▶ Record sales backlog comes on line

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

## **Directional 2005 Outlook\***

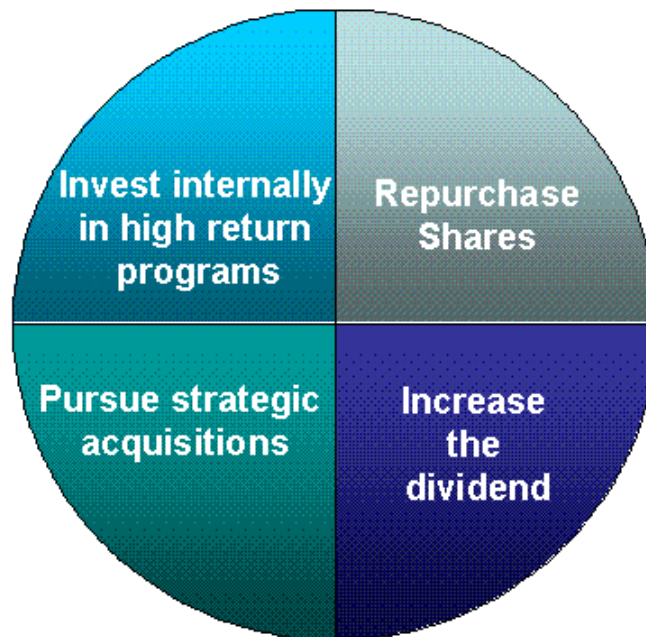
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- ▶▶ Record backlog supports a sales increase of 5% to 7%
  
- ▶▶ Operating earnings are expected to increase 5% to 10%
  
- ▶▶ Additional details of 2005 financial guidance to be reviewed in January

## Alternative Uses of Cash Flow. . .

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### Where We See Value Creation



***. . . While Maintaining a Strong Balance Sheet***

## Summary

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- ▶▶ The hallmark of the Lear team is to pro-actively meet industry challenges and to work hand-in-hand with our customers to deliver superior value
- ▶▶ Despite the challenges of higher raw material and energy prices, the Lear team remains focused on serving our customers and profitably growing our business worldwide





**LEAR**<sup>®</sup>  
CORPORATION

ADVANCE RELENTLESSLY™



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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 certain non-GAAP financial measures. These measures include "income before interest, other expense and income taxes" (core operating earnings) and "free cash flow." 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 in analyzing the Company's ability to service and repay its debt. Further, management uses these non-GAAP 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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(millions)	<u>Q3 2004</u>	<u>Q3 2003</u>
<b><u>Income before interest, other expense and income taxes</u></b>		
Income before income taxes	\$ 105.8	\$ 105.7
Interest expense	43.3	44.0
Other expense, net	<u>10.0</u>	<u>13.4</u>
Income before interest, other expense and income taxes (core operating earnings)	<u>\$ 159.1</u>	<u>\$ 163.1</u>

## Use of Non-GAAP Financial Information Free Cash Flow

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(millions)	<u>Q3 2004</u>	<u>Nine Months 2004</u>
<b>Free cash flow</b>		
Net cash provided by operating activities	\$ 131.9	\$ 444.0
Net change in sold accounts receivable	<u>-</u>	<u>70.4</u>
Net cash provided by operating activities <u>before</u> net change in sold accounts receivable	131.9	514.4
Capital expenditures	<u>( 91.1 )</u>	<u>( 283.7 )</u>
Free cash flow	<u>\$ 40.8</u>	<u>\$ 230.7</u>

## 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, including changes in interest rates and fuel prices, 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 impact and timing of program launch costs, the costs and timing of facility closures or similar actions, increases in the Company's 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 the Company operates, competitive conditions impacting the Company's key customers, raw material cost and availability, the Company's ability to successfully integrate the recently acquired terminals and connectors operations, the outcome of legal or regulatory proceedings to which the Company is or may become a party, unanticipated changes in free cash flow and other risks described from time to time in the Company's Securities and Exchange Commission filings.

In addition, the fourth quarter and full year 2004 per share earnings guidance is based on an assumed 69.8 million and 70.0 million shares outstanding, respectively, and does not reflect the adoption of Emerging Issues Task Force ("EITF") 04-08, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share." The Company will adopt EITF 04-08 in the fourth quarter of 2004. As a result, the impact of the assumed conversion of the outstanding convertible senior notes is expected to reduce fourth quarter and full year 2004 per share earnings by approximately \$0.08 and \$0.26 - \$0.27, respectively.

The forward-looking statements in this presentation are made as of the date hereof, and the Company does not assume any obligation to update them.