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 July 2, 2005.

OR

o **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	**13-3386776**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
21557 Telegraph Road, Southfield, MI	**48034**
(Address of principal executive offices)	*(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 o

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

As of July 29, 2005, the number of shares outstanding of the registrant's Common Stock, par value $0.01 per share, was 67,117,446.

LEAR CORPORATION

FORM 10-Q

FOR THE QUARTER ENDED JULY 2, 2005

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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 consolidated 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, 2004.

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)

	July 2, 2005 (Unaudited)	December 31, 2004
ASSETS		
CURRENT ASSETS:		
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
Total current assets	3,609.4	4,372.0
LONG-TERM ASSETS:		
Property, plant and equipment, net	2,012.8	2,019.8
Goodwill, net	2,988.9	3,039.4
Other	478.8	513.2
Total long-term assets	5,480.5	5,572.4
	$9,089.9	$9,944.4
LIABILITIES AND STOCKHOLDERS’ EQUITY		
CURRENT LIABILITIES:		
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
Total current liabilities	4,022.2	4,647.9
LONG-TERM LIABILITIES:		
Long-term debt	1,838.1	1,866.9
Other	709.0	699.5
Total long-term liabilities	2,547.1	2,566.4
STOCKHOLDERS’ EQUITY:		
Common stock, $0.01 par value, 150,000,000 shares authorized; 73,234,028 shares issued as of July 2, 2005 and 73,147,178 shares issued as of December 31, 2004	0.7	0.7
Additional paid-in capital	1,093.5	1,064.4
Common stock held in treasury, 6,123,932 shares as of July 2, 2005 and 5,730,476 shares as of December 31, 2004, at cost	(226.7)	(204.1)
Retained earnings	1,748.1	1,810.5
Accumulated other comprehensive income (loss)	(95.0)	58.6
Total stockholders’ equity	2,520.6	2,730.1
	$9,089.9	$9,944.4

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

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LEAR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited; in millions, except per share data)

	Three Months Ended		Six Months Ended	
	July 2, 2005	July 3, 2004	July 2, 2005	July 3, 2004
Net sales	$4,419.3	$4,284.0	$8,705.3	$8,776.1
Cost of sales	4,198.5	3,912.4	8,284.6	8,057.6
Selling, general and administrative expenses	190.8	158.7	341.9	326.4
Interest expense	48.2	39.2	93.0	78.3
Other expense, net	32.2	14.8	39.1	28.9
Income (loss) before provision (benefit) for income taxes	(50.4)	158.9	(53.3)	284.9
Provision (benefit) for income taxes	(6.0)	42.8	(24.5)	77.4
Net income (loss)	$ (44.4)	$ 116.1	$ (28.8)	$ 207.5
Basic net income (loss) per share	$ (0.66)	$ 1.69	$ (0.43)	$ 3.03
Diluted net income (loss) per share	$ (0.66)	$ 1.58	$ (0.43)	$ 2.82

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

LEAR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in millions)

	Six Months Ended	
	July 2, 2005	July 3, 2004
Cash Flows from Operating Activities:		
Net income (loss)	$ (28.8)	$ 207.5
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	191.3	170.1
Net change in recoverable customer engineering and tooling	(87.8)	(5.4)
Net change in working capital items	142.7	(23.3)
Other, net	41.4	33.6
Net cash provided by operating activities before net change in sold accounts receivable	258.8	382.5
Net change in sold accounts receivable	267.3	(70.4)
Net cash provided by operating activities	526.1	312.1
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(279.1)	(192.6)
Deposit on acquisition	—	(73.9)
Other, net	3.1	1.6
Net cash used in investing activities	(276.0)	(264.9)
Cash Flows from Financing Activities:		
Long-term debt repayments, net	(622.2)	(12.2)
Short-term debt borrowings (repayments), net	5.3	(10.0)
Dividends paid	(33.6)	(41.1)
Proceeds from exercise of stock options	3.0	16.6
Repurchase of common stock	(25.4)	(23.5)
Increase (decrease) in drafts	10.5	(0.3)
Other, net	0.6	—
Net cash used in financing activities	(661.8)	(70.5)
Effect of foreign currency translation	(40.3)	2.8
Net Change in Cash and Cash Equivalents	(452.0)	(20.5)
Cash and Cash Equivalents as of Beginning of Period	584.9	169.3
Cash and Cash Equivalents as of End of Period	$ 132.9	$ 148.8
Changes in Working Capital:		
Accounts receivable	$ (84.8)	$(279.4)
Inventories	18.5	(14.1)
Accounts payable	233.3	177.1
Accrued liabilities and other	(24.3)	93.1
Net change in working capital items	$ 142.7	$ (23.3)
Supplementary Disclosure:		
Cash paid for interest	$ 96.9	$ 76.0
Cash paid for income taxes	$ 93.2	$ 88.2

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 less than wholly owned subsidiaries controlled by Lear (collectively, the "Company"). In addition, Lear consolidates variable interest entities in which it bears a majority of the risk of the entities' potential losses or stands to gain from a majority of the entities' expected returns. Investments in affiliates in which Lear does not have control, but does have the ability to exercise significant influence over operating and financial policies, 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 statement disclosures have been reclassified to conform to the presentation used in the quarter ended July 2, 2005.

(2) Restructuring

2005

In order to address unfavorable industry conditions, the Company began to implement consolidation and census actions in the second quarter of 2005. These actions are the initial phase of a comprehensive restructuring strategy intended to (i) better align the Company's manufacturing capacity with the changing needs of its customers, (ii) eliminate excess capacity and lower the operating costs of the Company and (iii) streamline the Company's organizational structure and reposition its business for improved long-term profitability. The restructuring actions will consist primarily of facility consolidations and closures, including the movement of certain manufacturing operations to lower-cost countries, and census reductions.

In connection with the restructuring actions, the Company expects to incur pre-tax costs of up to $250 million, although the overall restructuring plan has not been finalized. Such costs will include employee termination benefits, asset impairment charges and contract termination costs, as well as other incremental costs resulting from the restructuring actions. These incremental costs will principally include equipment and personnel relocation costs. The Company also expects to incur incremental manufacturing inefficiency costs at the operating locations impacted by the restructuring actions during the related restructuring implementation period. Restructuring costs will be recognized in the Company's consolidated financial statements in accordance with accounting principles generally accepted in the United States. Generally, charges will be recorded as elements of the restructuring plan are finalized. Actual costs recorded in the Company's consolidated financial statements may vary from current estimates.

In connection with the initial phase of the restructuring actions, the Company recorded charges of $26.7 million in the second quarter of 2005, including $21.1 million recorded as cost of sales and $4.7 million recorded as selling, general and administrative expenses. The charges consist of employee termination benefits of $15.7 million for 182 salaried and 1,237 hourly employees, asset impairment charges of $4.6 million and contract termination costs of $5.4 million, as well as other costs of $1.0 million. Employee termination benefits were recorded based on existing union and employee contracts, statutory requirements and completed negotiations. Asset impairment charges relate to the disposal of leasehold improvements and machinery and equipment with carrying values of $4.6 million in excess of related estimated fair values. Contract termination costs include lease cancellation costs of $3.4 million, which are expected to be paid through 2006, pension and other postretirement benefit plan curtailments of $1.1 million and the repayment of an income tax grant of $0.9 million.

A summary of the second quarter 2005 restructuring charges, excluding the $1.1 million pension and other postretirement benefit plan curtailments, is shown below (in millions):

		Utilization		
	Charges	Cash	Non-cash	Accrual as of July 2, 2005
Employee termination benefits	$15.7	$(1.9)	$ —	$13.8
Asset impairments	4.6	—	(4.6)	—
Contract termination costs	4.3		—	4.3
Other related costs	1.0	(1.0)	—	—
Total	$25.6	$(2.9)	$(4.6)	$18.1

LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

2004

In December 2003, the Company initiated actions affecting two of its U.S. seating facilities. As a result of these actions, the Company recorded charges of $25.5 million for employee termination benefits and asset impairments in 2003. These actions were completed in the second quarter of 2004. Of the total costs associated with these facility actions, approximately $33.3 million related to employee termination benefits and asset impairment charges.

(3) 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 stock 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 (loss) and net income (loss) 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		Six Months Ended	
	July 2, 2005	July 3, 2004	July 2, 2005	July 3, 2004
Net income (loss), as reported	$(44.4)	$116.1	$(28.8)	$207.5
Add: Stock-based employee compensation expense included in reported net income (loss), net of tax	4.2	2.3	8.5	4.9
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax	(5.5)	(5.2)	(11.9)	(11.4)
Net income (loss), pro forma	$(45.7)	$113.2	$(32.2)	$201.0
Net income (loss) per share:				
Basic — as reported	$(0.66)	$ 1.69	$(0.43)	$ 3.03
Basic — pro forma	$(0.68)	$ 1.65	$(0.48)	$ 2.93
Diluted — as reported	$(0.66)	$ 1.58	$(0.43)	$ 2.82
Diluted — pro forma	$(0.68)	$ 1.54	$(0.48)	$ 2.73

(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 integration, as well as other internal costs related to the transaction which were expensed as incurred. 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.

At the time of the acquisition, the Company began to formulate plans for the restructuring of certain acquired operations. These plans, including plant closings and employee terminations and relocations, were finalized by the Company and are substantially complete as of July 2, 2005. In addition, the Company has made indemnity claims against the sellers for breaches of certain representations and warranties, which are pending as of the date of this Report.

The Grote & Hartmann acquisition was accounted for as a purchase, and accordingly, the assets purchased and liabilities assumed are included in the consolidated balance sheets as of July 2, 2005 and December 31, 2004. The operating results of Grote & Hartmann are included in the consolidated financial statements since the date of acquisition. In the second quarter of 2005, the allocation of the purchase price was finalized, resulting in a decrease in goodwill of approximately $3.4 million. This decrease was primarily due to the finalization of the restructuring plans, additional information regarding liabilities assumed, including contingent liabilities, revisions of estimates of fair value made at the date of purchase and certain tax attributes. The purchase price and related allocation are shown below (in millions):

LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Consideration paid to former owner	$ 73.9
Debt assumed	86.3
Fees and expenses	3.2
Cost of acquisition	$163.4

Property, plant and equipment	$100.5
Net working capital	39.7
Restructuring accrual	(12.6)
Other assets purchased and liabilities assumed, net	(22.7)
Goodwill	22.6
Intangible assets	35.9
Total cost allocation	$163.4

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):

	July 2, 2005	December 31, 2004
Raw materials	$444.0	$487.8
Work-in-process	41.8	43.8
Finished goods	94.5	89.6
Inventories	$580.3	$621.2

(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):

	July 2, 2005	December 31, 2004
Land	$ 140.1	$ 138.6
Buildings and improvements	718.9	759.2
Machinery and equipment	2,830.8	2,844.7
Construction in progress	54.7	52.8
Total property, plant and equipment	3,744.5	3,795.3
Less — accumulated depreciation	(1,731.7)	(1,775.5)
Net property, plant and equipment	$ 2,012.8	$ 2,019.8

Depreciation expense was $94.6 million and $87.0 million in the three months ended July 2, 2005 and July 3, 2004, respectively, and $189.1 million and $170.1 million in the six months ended July 2, 2005 and July 3, 2004, respectively.

LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

(7) Goodwill

A summary of the changes in the carrying amount of goodwill, by reportable operating segment, for the six months ended July 2, 2005, is shown below (in millions):

	Seating	Interior	Electronic and Electrical	Total
Balance as of December 31, 2004	$1,075.7	$1,017.8	$945.9	$3,039.4
Foreign currency translation and other	(44.5)	1.9	(7.9)	(50.5)
Balance as of July 2, 2005	$1,031.2	$1,019.7	$938.0	$2,988.9

(8) Investments in Affiliates

In the second quarter of 2005, the Company committed to the divestiture of a minority interest in a business accounted for under the equity method and recorded a related impairment charge of $16.9 million. This charge is included in other expense, net in the consolidated statements of operations for the three and six months ended July 2, 2005. This investment was divested in the third quarter of 2005.

(9) 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 18, "Financial Instruments," and the amortization of debt discount, is shown below (in millions):

	July 2, 2005		December 31, 2004	
Debt Instrument	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%	$ 399.2	5.635%
Zero-coupon Convertible Senior Notes, due February 2022	293.2	4.75%	286.3	4.75%
8.125% Euro-denominated Senior Notes, due April 2008	301.4	8.125%	338.5	8.125%
8.11% Senior Notes, due May 2009	800.0	8.05%	800.0	7.74%
7.96% Senior Notes, due May 2005	—	—	600.0	6.95%
Other	50.2	5.06%	75.7	4.22%
	1,844.0		2,499.7	
Current portion	(5.9)		(632.8)	
Long-term debt	$1,838.1		$1,866.9	

On March 23, 2005, the Company entered into a $1.7 billion credit and guarantee agreement (the "Primary Credit Facility"), which matures on March 23, 2010. The Primary Credit Facility replaced the Company's existing $1.7 billion amended and restated credit facility, which was due to mature on March 26, 2006, and which was terminated on March 23, 2005. As of July 2, 2005, the Company had no borrowings outstanding under the Primary Credit Facility.

On August 3, 2005, the Primary Credit Facility was amended to (i) revise the leverage ratio covenant for the third quarter of 2005 through the first quarter of 2006, (ii) obtain the consent of the lenders to permit the Company to enter into a new 18-month term loan facility (the "Proposed Term Loan Facility") with a principal amount of up to $400 million and (iii) provide for the pledge of the capital stock of certain of the Company's material subsidiaries to secure its obligations under the Primary Credit Facility and the Proposed Term Loan Facility. Proceeds from the Proposed Term Loan Facility would be used to create additional excess liquidity in light of the payoff at maturity of the Company's $600 million 7.96% senior notes in May 2005, its reduced operating cash flows and cash charges associated with its restructuring actions. Two of the Company's lead lenders under the Primary Credit Facility have committed to provide an aggregate of $300 million under the Proposed Term Loan Facility, subject to various conditions. Other lenders under the Primary Credit Facility are expected to participate in the Proposed Term Loan Facility, which may be in an aggregate principal amount of up to $400 million. The Proposed Term Loan Facility is scheduled to be consummated in the third quarter of 2005, but no assurance may be given that the facility will be consummated on the terms contemplated or at all. The Company's obligations under the Primary Credit Facility are guaranteed by certain of its subsidiaries that also guarantee the obligations under its outstanding senior notes. These subsidiaries would also guarantee the Company's obligations under the Proposed Term Loan Facility. The Primary Credit Facility provides for maximum revolving borrowing commitments of $1.7 billion, which may be increased to $2.5 billion by the Company under certain circumstances. The Primary Credit Facility provides for multicurrency revolving borrowings in a

maximum aggregate amount of $750 million, Canadian revolving borrowings in a maximum aggregate amount of $200 million and swing-line revolving borrowings in a maximum aggregate amount of $300 million, the commitments for which are part of the aggregate revolving credit facility commitment.

The Primary Credit Facility contains operating and financial covenants that, among other things, could limit the Company's ability to obtain additional sources of capital. As amended, the principal financial covenants require that the Company maintain a leverage ratio of not more than 3.25 to 1 as of July 2, 2005, 3.75 to 1 as of October 1, 2005 and December 31, 2005, 3.50 to 1 as of April 1, 2006 and 3.25 to 1 as of the end of each quarter thereafter and an interest coverage ratio of not less than 3.5 to 1 as of the end of each quarter (as such ratios are defined in the Primary Credit Facility). As of July 2, 2005, the Company was in compliance with all covenants and other requirements set forth in its Primary Credit Facility. The Company's leverage and interest coverage ratios were 1.9 to 1 and 5.4 to 1, respectively. These ratios are calculated on a trailing four quarter basis. As a result, any decline in the Company's future operating results will negatively impact its coverage ratios.

Revolving borrowings under the Primary Credit Facility, as amended, bear interest, payable no less frequently than quarterly, at (a) (1) applicable interbank rates, on Eurodollar and Eurocurrency loans, (2) the greater of the U.S. prime rate and the federal funds rate plus 0.50%, on base rate loans, (3) the greater of the rate publicly announced by the Canadian administrative agent and the federal funds rate plus 0.50%, on U.S. dollar denominated Canadian loans, (4) the greater of prime rate announced by the Canadian administrative agent and the average Canadian interbank bid rate (CDOR) plus 1.0%, on Canadian dollar denominated Canadian loans, and (5) various published or quoted rates, on swing line and other loans, plus (b) a percentage spread ranging from 0% to a maximum of 1.0%, depending on the type of loan and/or currency and the Company's credit rating or leverage ratio. Under the Primary Credit Facility, the Company agrees to pay a facility fee, payable quarterly, at rates ranging from 0.10% to a maximum of 0.35%, depending on its credit rating or leverage ratio, and when applicable, a utilization fee.

All of the Company's senior notes contain covenants restricting the Company's ability to incur liens and to enter into sale and leaseback transactions and restricting the Company's ability 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 July 2, 2005, the Company was in compliance with all covenants and other requirements set forth in its senior notes.

On May 15, 2005, the Company repaid the $600 million senior notes due in May 2005 at maturity.

The Company's obligations under the Primary Credit Facility and its senior notes are guaranteed, on a joint and several basis, by certain of its subsidiaries, which are primarily domestic subsidiaries and all of which are directly or indirectly 100% owned by the Company (Note 20, "Supplemental Guarantor Condensed Consolidating Financial Statements"). In addition, the stock of certain of the Company's significant subsidiaries is pledged to secure its Primary Credit Facility.

(10) 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	
	July 2, 2005	July 3, 2004	July 2, 2005	July 3, 2004
Service cost	$10.3	$10.5	$ 3.1	$ 3.6
Interest cost	9.4	9.3	3.5	3.1
Expected return on plan assets	(7.6)	(7.0)	—	—
Amortization of actuarial loss	0.7	0.8	0.9	1.0
Amortization of transition (asset) obligation	(0.1)	(0.1)	0.7	0.3
Amortization of prior service cost	1.3	1.4	(1.1)	(0.7)
Special termination benefits	—	—	0.1	0.1
Settlement loss	1.0	—	—	0.1
Curtailment loss (gain)	0.4	—	0.7	(7.7)
Net periodic benefit cost	$15.4	$14.9	$ 7.9	$(0.3)

LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

	Pension		Other Postretirement	
	Six Months Ended		Six Months Ended	
	July 2, 2005	July 3, 2004	July 2, 2005	July 3, 2004
Service cost	$ 20.3	$ 21.3	$ 6.1	$ 7.2
Interest cost	18.3	18.9	6.8	6.2
Expected return on plan assets	(14.7)	(14.2)	—	—
Amortization of actuarial loss	1.4	1.6	1.8	2.0
Amortization of transition (asset) obligation	(0.1)	(0.2)	1.3	0.6
Amortization of prior service cost	2.5	2.7	(2.2)	(1.4)
Special termination benefits	—	0.1	0.2	0.2
Settlement loss	1.0	—	—	—
Curtailment loss (gain)	0.4	—	0.7	(7.7)
Net periodic benefit cost	$ 29.1	$ 30.2	$14.7	$ 7.1

Contributions

Employer contributions to the Company's domestic and foreign pension plans for the three and six months ended July 2, 2005, were approximately $17.4 million and $25.9 million in aggregate, respectively. The Company expects to contribute an additional $24 million to $28 million, in aggregate, to its domestic and foreign pension portfolios in 2005.

(11) 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, impairments of equity investments in affiliates, gains and losses on the sales of fixed assets and other miscellaneous income and expense. A summary of other expense, net is shown below (in millions):

	Three Months Ended		Six Months Ended	
	July 2, 2005	July 3, 2004	July 2, 2005	July 3, 2004
Other expense	$32.7	$18.1	$39.1	$35.2
Other income	(0.5)	(3.3)	—	(6.3)
Other expense, net	$32.2	$14.8	$39.1	$28.9

(12) Provision (Benefit) for Income Taxes

The benefit for income taxes was $6.0 million, representing an effective tax rate of 11.9%, and $24.5 million, representing an effective tax rate of 46.0%, for the three and six months ended July 2, 2005, respectively. For the six months ended July 2, 2005, the benefit for income taxes includes a one-time benefit of $17.8 million resulting from a tax law change in Poland. The tax law change in Poland, effective on March 9, 2005, related to investment tax credits for companies operating in certain special economic zones within the country. The investment tax credits replace the tax holiday that was previously in effect for the Company. For the six months ended July 2, 2005, this one-time benefit is partially offset by the impact of a portion of the restructuring and litigation-related charges that were incurred in countries for which no tax benefit was provided due to a history of operating losses in those countries. In addition, no tax benefit was provided on the impairment of an equity investment because this item will result in a capital loss for which no tax benefit is likely to be realized. Excluding these items, the effective tax rate for the three and six months ended July 2, 2005, was 24.1% and 24.0%, respectively, as compared to an effective tax rate of 26.9% and 27.2%, respectively, for the three and six months ended July 3, 2004. Excluding these items, the effective tax rates 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. During 2005, the Company has recognized a tax benefit for operating losses generated in the United States as the Company believes it is more likely than not that such benefit will be realized.

American Jobs Creation Act of 2004

In October 2004, the American Jobs Creation Act of 2004 ("the Act") was signed into law. The Act creates a temporary incentive for U.S. corporations to repatriate earnings from foreign subsidiaries by providing an 85% dividends received deduction for certain dividends from controlled foreign corporations to the extent the dividends exceed a base amount and are invested in the United States pursuant to a domestic reinvestment plan. The temporary incentive is available to the Company in 2005. The amount of the Company's dividends potentially eligible for the deduction is limited to $500 million.

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The U.S. Treasury Department has provided clarifying guidance with respect to certain elements of the repatriation provision, and it is expected that additional clarifying guidance will be issued. In addition, Congress recently reintroduced legislation that provides for certain technical corrections to the Act. The Company has not completed its evaluation of the repatriation provision due to numerous tax, legal, treasury and business considerations. The Company expects to complete its evaluation of the potential dividends it may pursue, if any, and the related tax ramifications during the fourth quarter of 2005.

(13) Net Income (Loss) Per Share

Basic net income (loss) 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. On December 15, 2004, the Company adopted the provisions of Emerging Issues Task Force ("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 net income per share computations regardless of whether the market price trigger has been met, if the impact is dilutive. The effect of EITF 04-08 on the computation of diluted net income per share is to adjust net income by adding back after-tax interest expense on convertible debt and to increase total shares outstanding by the number of shares that would be issuable upon conversion. There are 4,813,056 shares issuable upon conversion of the Company's outstanding zero-coupon convertible senior notes. The Company has restated diluted net income per share for 2004 to include the dilutive impact of the outstanding zero-coupon convertible senior notes. A summary of net income (loss), for diluted net income (loss) per share (in millions), and shares outstanding is shown below:

	Three Months Ended		Six Months Ended	
	July 2, 2005	July 3, 2004	July 2, 2005	July 3, 2004
Net income (loss), as reported	$ (44.4)	$ 116.1	$ (28.8)	$ 207.5
Add: After-tax interest expense on convertible debt	—	2.3	—	4.7
Net income (loss), for diluted net income (loss) per share	$ (44.4)	$ 118.4	$ (28.8)	$ 212.2
Weighted average common shares outstanding	67,097,792	68,749,259	67,173,054	68,594,681
Dilutive effect of common stock equivalents	—	1,535,066	—	1,834,945
Shares issuable upon conversion of convertible debt	—	4,813,056	—	4,813,056
Diluted shares outstanding	67,097,792	75,097,381	67,173,054	75,242,682
Diluted net income (loss) per share	$ (0.66)	$ 1.58	$ (0.43)	$ 2.82

The shares issuable upon conversion of the Company's outstanding zero-coupon convertible debt and the effect of common stock equivalents, including options and restricted stock units, were excluded from the computation of diluted net loss per share for the three months and six months ended July 2, 2005, as inclusion would have resulted in antidilution. A summary of these options, their exercise prices and these restricted stock units is shown below:

	Three Months Ended		Six Months Ended	
	July 2, 2005	July 3, 2004	July 2, 2005	July 3, 2004
Options				
Antidilutive options outstanding	3,093,680	—	3,093,680	—
Exercise price	$22.12 - $55.33	—	$22.12 - $55.33	—
Restricted stock units	1,151,141	—	1,151,141	—

For further information related to the zero-coupon convertible senior notes, see Note 7, "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, 2004.

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(14) Comprehensive Income (Loss)

Comprehensive income (loss) is defined as all changes in a Company's net assets except changes resulting from transactions with stockholders. It differs from net income (loss) in that certain items currently recorded in equity are included in comprehensive income (loss). A summary of comprehensive income (loss) is shown below (in millions):

	Three Months Ended		Six Months Ended	
	July 2, 2005	July 3, 2004	July 2, 2005	July 3, 2004
Net income (loss)	$ (44.4)	$116.1	$ (28.8)	$207.5
Other comprehensive income (loss):				
Derivative instruments and hedging activities	5.4	9.1	3.8	9.7
Foreign currency translation adjustment	(83.0)	0.1	(157.4)	(18.3)
Other comprehensive income (loss)	(77.6)	9.2	(153.6)	(8.6)
Comprehensive income (loss)	$(122.0)	$125.3	$(182.4)	$198.9

(15) 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 six months of 2005 and 2004, the Company capitalized $137.9 million and $105.5 million, respectively, of pre-production ER&D costs for which reimbursement is contractually guaranteed by the customer. In addition, during the first six months of 2005 and 2004, the Company capitalized $268.7 million and $210.8 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 six months ended July 2, 2005 and July 3, 2004, the Company collected $319.2 million and $302.0 million, respectively, of cash related to ER&D and tooling costs.

During the first six months of 2005 and 2004, the Company capitalized $15.4 million and $21.5 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):

	July 2, 2005	December 31, 2004
Current	$281.1	$205.8
Long-term	235.3	245.1
Recoverable customer engineering and tooling	$516.4	$450.9

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.

(16) Legal and Other Contingencies

As of July 2, 2005 and December 31, 2004, the Company had recorded reserves for pending legal disputes, including commercial litigation and other matters, of $58.7 million and $25.2 million, respectively. Such reserves reflect amounts recognized in accordance with accounting principles generally accepted in the United States and exclude the cost of legal representation. Product warranty liabilities are recorded separately from legal liabilities, as described below.

Commercial Disputes

The Company is involved from time to time in legal proceedings and claims relating to commercial or contractual disputes, including disputes with its suppliers. Largely as a result of generally unfavorable industry conditions and financial distress within the Company's supply base, the Company has experienced an increase in commercial and contractual disputes in 2005, particularly with suppliers. These disputes vary in nature and are usually resolved by negotiations between the parties. In a recent matter, however, a

European seat trim supplier obtained a preliminary judgment (with no notice provided to the Company or its foreign subsidiary) awarding the supplier approximately $11.4 million in interest and penalties for allegedly late payments. The Company's foreign subsidiary is challenging the applicability of the statute under which the preliminary judgment was awarded, as well as related attachment proceedings.

On January 29, 2002, Seton Company ("Seton"), 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. Seton filed the lawsuit in the U.S. District Court for the Eastern District of Michigan seeking compensatory and exemplary damages totaling $96.5 million plus interest on breach of contract and promissory estoppel claims. In May 2005, this case proceeded to trial, and the jury returned a $30 million verdict against the Company, which has been accrued in the consolidated balance sheet as of July 2, 2005. The Court is considering motions regarding the amount of pre-judgment interest that will be awarded in addition to the verdict. The Company has filed post-trial motions challenging the verdict, and if these motions are unsuccessful, the Company intends to appeal the final judgment.

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 II suppliers against whom the Company has sought or will seek contribution. 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.

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 recovery 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 six months ended July 2, 2005, is shown below (in millions):

Balance as of December 31, 2004	$ 43.4
Expense, net	13.2
Settlements	(17.9)
Foreign exchange and other	(1.6)
Balance as of July 2, 2005	$ 37.1

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 clean-up costs resulting from past spills, disposals 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 its acquisition of UT Automotive. UTC manages and directly funds these environmental liabilities pursuant to its agreements and indemnities with the Company.

As of July 2, 2005 and December 31, 2004, the Company had recorded reserves for environmental matters of $5.7 million and $5.9 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 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, 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 additional 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. In November 2004, two additional lawsuits were filed by 28 plaintiffs (individuals and organizations), alleging property damage as a result of the alleged contamination. Each of these complaints seeks compensatory and punitive damages.

Most of the original plaintiffs have filed motions to dismiss their claims for health effects and personal injury damages; therefore, approximately three-fourths of the plaintiffs should be voluntarily dismissed from these lawsuits. Upon the completion of these dismissals, the Company anticipates that there will be approximately 300 plaintiffs remaining in the lawsuits to proceed with property damage claims only. There is the potential that the dismissed plaintiffs could seek separate counsel to re-file their personal injury claims. In March 2005, the venue for these lawsuits was transferred from Lowndes County, Mississippi, to Lafayette County, Mississippi. In April 2005, certain plaintiffs filed an amended complaint alleging negligence, nuisance, intentional tort and conspiracy claims and seeking compensatory and punitive damages. In late April 2005, the court scheduled the first trial date for the initial plaintiffs to commence in March 2006. Discovery continued during the second quarter of 2005.

UTC, the former owner of UT Automotive, and Johnson Electric have each sought indemnification for losses associated with the Mississippi claims 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. However, the ultimate outcome of these matters is unknown.

Other Matters

In January 2004, the 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's inquiry does not relate to the Company's consolidated financial statements. In February 2005, the staff of the SEC informed the Company that it proposed to recommend to the SEC that it issue an administrative "cease and desist" order as a result of the Company's failure to disclose the related party transactions in question prior to the amendment of its 2001 Form 10-K. The Company expects to consent to the entry of the order as part of a settlement of this matter.

Prior to the Company's acquisition of UT Automotive from UTC in May 1999, a subsidiary of the Company purchased the stock of a UT Automotive subsidiary. In connection with the acquisition, the Company agreed to indemnify UTC for certain tax consequences if the Internal Revenue Service (the "IRS") overturned UTC's tax treatment of the transaction. The IRS has proposed an adjustment to UTC's tax treatment of the transaction seeking an increase in tax of $87.5 million, excluding interest. A protest objecting to the proposed adjustment has been filed with the IRS. The case has now been referred to the Appeals Office of the IRS for an independent review. An indemnity payment by the Company to UTC for the ultimate amount due to the IRS would constitute an adjustment to the purchase price and resulting goodwill of the UT Automotive acquisition, if and when made, and would not be expected to have a material effect on the Company's reported earnings. The Company believes that valid support exists for UTC's tax positions and intends to vigorously contest the IRS's proposed adjustment. However, the ultimate outcome of this matter is not certain.

On June 13, 2005, The Chamberlain Group ("Chamberlain") filed a lawsuit against the Company and Ford Motor Company ("Ford") in the Northern District of Illinois alleging patent infringement. Two counts are asserted against the Company and Ford based upon Chamberlain's rolling code security system patent and a related product which operates transmitters to actuate garage door

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openers. Two additional counts are asserted against Ford only (not the Company) based upon different Chamberlain patents. The Chamberlain lawsuit was filed in connection with the Company's marketing of its universal garage door opener system, which competes with a product offered by Johnson Controls Inc. ("JCI"). JCI obtained technology from Chamberlain to operate its product. On January 26, 2004, the Company filed a patent infringement lawsuit against JCI in the U.S. District Court for Eastern District of Michigan asserting that JCI's garage door opener product infringed certain of the Company's radio frequency transmitter patents. After the Company filed its patent infringement action against JCI, JCI sued one of the Company's vendors in Ottawa Circuit Court, Michigan, on July 7, 2004, alleging misappropriation of trade secrets. In this action, JCI attempted to prevent the engineering firm from working with the Company. The Company intends to vigorously defend the Chamberlain action and pursue its patent infringement claims against JCI. While the Company does not believe that any of these lawsuits will have a material adverse impact on the Company's business, consolidated financial position or results of operations, no assurances can be given in this regard.

The Company is involved in certain other legal actions and claims arising in the ordinary course of business, including, without limitation, supplier disputes, intellectual property matters, personal injury claims, tax 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.

(17) 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 instrument panels and cockpit systems, overhead systems, door panels, flooring and acoustic 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 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 flows, 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):

	Three Months Ended July 2, 2005				
	Seating	Interior	Electronic and Electrical	Other	Consolidated
Revenues from external customers	$2,879.9	$ 767.0	$ 772.4	$ —	$4,419.3
Income (loss) before interest, other expense and income taxes	48.6	(17.8)	52.0	(52.8)	30.0
Depreciation and amortization	36.6	27.5	26.4	5.2	95.7
Capital expenditures	71.1	40.3	30.7	7.6	149.7
Total assets	4,371.6	2,527.2	2,473.9	(282.8)	9,089.9

	Three Months Ended July 3, 2004				
	Seating	Interior	Electronic and Electrical	Other	Consolidated
Revenues from external customers	$2,888.0	$ 739.1	$ 656.9	$ —	$4,284.0
Income before interest, other expense and income taxes	187.8	20.0	59.2	(54.1)	212.9
Depreciation and amortization	34.7	26.9	19.7	5.7	87.0
Capital expenditures	63.0	25.2	24.2	2.9	115.3
Total assets	4,307.6	2,398.3	2,242.4	(17.3)	8,931.0

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	Six Months Ended July 2, 2005				
	Seating	Interior	Electronic and Electrical	Other	Consolidated
Revenues from external customers	$5,628.6	$1,529.8	$1,546.9	$ —	$8,705.3
Income (loss) before interest, other expense and income taxes	98.7	(26.2)	110.3	(104.0)	78.8
Depreciation and amortization	71.7	57.5	51.7	10.4	191.3
Capital expenditures	130.2	77.8	51.1	20.0	279.1
Total assets	4,371.6	2,527.2	2,473.9	(282.8)	9,089.9

	Six Months Ended July 3, 2004				
	Seating	Interior	Electronic and Electrical	Other	Consolidated
Revenues from external customers	$5,895.8	$1,556.4	$1,323.9	$ —	$8,776.1
Income before interest, other expense and income taxes	335.4	48.7	118.5	(110.5)	392.1
Depreciation and amortization	67.0	54.0	37.7	11.4	170.1
Capital expenditures	99.5	46.5	46.1	0.5	192.6
Total assets	4,307.6	2,398.3	2,242.4	(17.3)	8,931.0

Income (loss) before interest, other expense and income taxes for the three and six months ended July 2, 2005, includes restructuring charges of $12.9 million, $3.2 million, $8.9 million and $0.8 million in the seating, interior, electronic and electrical operating segments and in the other category, respectively. Income before interest, other expense and income taxes for the three and six months ended July 3, 2004, includes restructuring charges of $5.4 million and $7.8 million, respectively, in the seating operating segment.

A reconciliation of consolidated income before interest, other expense and income taxes to consolidated income (loss) before provision (benefit) for income taxes is shown below (in millions):

	Three Months Ended		Six Months Ended	
	July 2, 2005	July 3, 2004	July 2, 2005	July 3, 2004
Income before interest, other expense and income taxes	$ 30.0	$212.9	$ 78.8	$392.1
Interest expense	48.2	39.2	93.0	78.3
Other expense, net	32.2	14.8	39.1	28.9
Income (loss) before provision (benefit) for income taxes	$(50.4)	$158.9	$(53.3)	$284.9

(18) Financial Instruments

Certain of the Company's European and Asian subsidiaries periodically factor their accounts receivable with financial institutions. Such receivables are factored without recourse to the Company and are excluded from accounts receivable in the consolidated balance sheets. As of July 2, 2005, the amount of factored receivables was $137.5 million. As of December 31, 2004, there were no factored accounts receivable.

Asset-backed Securitization Agreement

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) under an asset-backed securitization facility (the "ABS facility"). In turn, Lear ASC Corporation transfers undivided interests in up to $150 million of the receivables to bank-sponsored commercial-paper conduits. As of July 2, 2005, accounts receivable totaling $657.1 million had been transferred to Lear ASC Corporation, including $527.2 million of retained interests, which is included in accounts receivable in the consolidated balance sheet as of July 2, 2005, and serves as credit enhancement for the facility, and $129.9 million of undivided interests, which was transferred to the conduits and is excluded from accounts receivable in the consolidated balance sheet as of July 2, 2005. As of December 31, 2004, accounts receivable totaling $654.4 million had been transferred to Lear ASC Corporation, but no undivided interests in the receivables were

transferred to the conduits. As such, this retained interest is included in accounts receivable in the consolidated balance sheet as of December 31, 2004. A discount on the sale of receivables of $0.9 million and $0.5 million was recognized in the three months ended July 2, 2005 and July 3, 2004, respectively, and $1.7 million and $0.9 million was recognized in the six months ended July 2, 2005 and July 3, 2004, respectively. This discount is included in other expense, net in the consolidated statements of operations.

The Company retains a subordinated ownership interest in the pool of receivables sold to Lear ASC Corporation. This retained interest is recorded at fair value, which is generally based on a discounted cash flow analysis. 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.

A summary of certain cash flows received from and paid to Lear ASC Corporation is shown below (in millions):

	Three Months Ended		Six Months Ended	
	July 2, 2005	July 3, 2004	July 2, 2005	July 3, 2004
Proceeds from securitizations	$ 129.9	$ —	$ 129.9	$ —
Proceeds from collections reinvested in securitizations	1,059.4	1,406.9	2,152.7	2,586.5
Servicing fees received	1.3	1.4	2.6	2.8

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 July 2, 2005, contracts designated as fair value hedges with $932.4 million of notional amount were outstanding with maturities of less than two months. As of July 2, 2005, the fair market value of these contracts was approximately negative $4.0 million. Forward foreign exchange, futures and option contracts are accounted for as cash flow hedges when the hedged item is a forecasted transaction or the variability of cash flows to be paid or received relates to a recognized asset or liability. As of July 2, 2005, contracts designated as cash flow hedges with $490.9 million of notional amount were outstanding with maturities of less than six months. As of July 2, 2005, the fair market value of these contracts was approximately $18.1 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 July 2, 2005, contracts representing $300.0 million of notional amount were outstanding with maturity dates through May 2009. All of these contracts are designated as fair value hedges and modify the fixed rate characteristics of the Company's outstanding 8.11% senior notes due May 2009. These contracts convert these fixed rate obligations into variable rate obligations with coupons which reset semi-annually based on LIBOR plus a spread of 4.58%. However, the effective cost of these contracts, including the impact of swap contract restructuring, is LIBOR plus 3.85%. The fair market value of all outstanding interest rate swap contracts is subject to changes in value due to changes in interest rates. As of July 2, 2005, the fair market value of these contracts was approximately negative $9.2 million.

As of July 2, 2005 and December 31, 2004, net gains of approximately $23.1 million and $17.4 million, respectively, related to derivative instruments and hedging activities were recorded in accumulated other comprehensive income (loss). Net gains (losses) of $8.8 and $(1.8) million in the three months ended July 2, 2005 and July 3, 2004, respectively, and $14.3 million and $(3.3) million in the six months ended July 2, 2005 and July 3, 2004, respectively, related to the Company's hedging activities were reclassified from accumulated other comprehensive income (loss) into earnings. As of July 2, 2005, all cash flow hedges were scheduled to mature within six months, all fair value hedges of the Company's foreign exchange exposure were scheduled to mature within two months, and all fair value hedges of the Company's fixed rate debt instruments were scheduled to mature within four years. During the twelve month period ended July 1, 2006, the Company expects to reclassify into earnings net gains of approximately $19.0 million recorded in accumulated other comprehensive income (loss). Such gains will be reclassified at the time the underlying hedged transactions are realized. During the three and six months ended July 2, 2005 and July 3, 2004, amounts included in the consolidated statements of

operations related to changes in the fair value of cash flow and fair value hedges excluded from the effectiveness assessments and the ineffective portion of changes in the fair value of cash flow and fair value hedges were not material.

Non-U.S. dollar financing transactions — The Company has designated its 8.125% Euro-denominated senior notes (Note 9, "Long-Term Debt") as a net investment hedge of long-term investments in its Euro-functional subsidiaries. As of July 2, 2005, the amount recorded in cumulative translation adjustment related to the effective portion of the net investment hedge of foreign operations was approximately negative $77.5 million.

(19) Accounting Pronouncements

Inventory Costs

The Financial Accounting Standards Board ("FASB") issued SFAS No. 151, "Inventory Costs – an amendment of ARB No. 43, Chapter 4." This statement clarifies the requirement that abnormal inventory-related costs be recognized as current-period charges and requires that the allocation of fixed production overheads to inventory conversion costs be based on the normal capacity of the production facilities. The provisions of this statement are to be applied prospectively to inventory costs incurred during fiscal years beginning after June 15, 2005. The Company does not expect the effects of adoption to be significant.

Nonmonetary Assets

The FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets – an amendment of APB Opinion No. 29." APB Opinion No. 29, in general, requires the use of fair value as the measurement basis for exchanges of nonmonetary assets. This statement eliminates the exception to the fair value measurement principle for nonmonetary exchanges of similar productive assets and replaces it with a general exception for nonmonetary asset exchanges that lack commercial substance. The provisions of this statement are to be applied prospectively to nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Company does not expect the effects of adoption to be significant.

Accounting Changes

The FASB issued SFAS No. 154, "Accounting Changes and Error Corrections: a replacement of APB Opinion No. 20 and FASB Statement No. 3." This statement requires retrospective application for voluntary changes in accounting principles and changes required by an accounting pronouncement that does not include specific transition provisions, unless it is impracticable to do so. Retrospective application results in the restatement of prior periods' financial statements to reflect the change in accounting principle. APB Opinion No. 20 previously required that the impact of most voluntary changes in accounting principles be recognized in the period of change as a cumulative effect of a change in accounting principle. The provisions of this statement are to be applied prospectively to accounting changes made in fiscal years beginning after December 15, 2005.

Stock-Based Compensation

The FASB issued a revised SFAS No. 123, "Share-Based Payment." This statement requires that all share-based payments to employees be recognized in the financial statements based on their grant-date fair value. Under previous guidance, companies had the option of recognizing the fair value of stock-based compensation in the financial statements or disclosing the proforma impact of stock-based compensation on the statement of operations in the notes to the financial statements. As described in Note 3, "Stock-Based Compensation," the Company adopted the fair value recognition provisions of SFAS No. 123 for all employee awards issued after January 1, 2003. The revised statement is effective at the beginning of the first annual period beginning after December 15, 2005, and provides two methods of adoption, the modified-prospective method and the modified-retrospective method. The Company anticipates adopting the revised statement using the modified-prospective method. The Company is currently evaluating the provisions of the revised statement but does not expect the impact of adoption to be significant.

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

(20) Supplemental Guarantor Condensed Consolidating Financial Statements

	July 2, 2005				
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
	(Unaudited; in millions)				
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 5.0	$ 4.2	$ 123.7	$ —	$ 132.9
Accounts receivable	80.9	367.5	1,803.4	—	2,251.8
Inventories	16.1	182.4	381.8	—	580.3
Recoverable customer engineering and tooling	13.3	175.1	92.7	—	281.1
Other	109.5	46.8	207.0	—	363.3
Total current assets	224.8	776.0	2,608.6	—	3,609.4
LONG-TERM ASSETS:					
Property, plant and equipment, net	188.7	793.1	1,031.0	—	2,012.8
Goodwill, net	105.0	1,922.4	961.5	—	2,988.9
Investments in subsidiaries	4,431.7	2,641.1	—	(7,072.8)	—
Other	105.6	102.9	270.3	—	478.8
Total long-term assets	4,831.0	5,459.5	2,262.8	(7,072.8)	5,480.5
	$5,055.8	$6,235.5	$ 4,871.4	$(7,072.8)	$9,089.9
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Short-term borrowings	$ —	$ —	$ 49.0	$ —	$ 49.0
Accounts payable and drafts	285.2	889.9	1,693.9	—	2,869.0
Accrued liabilities	128.5	272.0	697.8	—	1,098.3
Current portion of long-term debt	—	2.3	3.6	—	5.9
Total current liabilities	413.7	1,164.2	2,444.3	—	4,022.2
LONG-TERM LIABILITIES:					
Long-term debt	1,798.8	9.5	29.8	—	1,838.1
Intercompany accounts, net	13.2	1,050.6	(1,063.8)	—	—
Other	309.5	197.7	201.8	—	709.0
Total long-term liabilities	2,121.5	1,257.8	(832.2)	—	2,547.1
STOCKHOLDERS' EQUITY	2,520.6	3,813.5	3,259.3	(7,072.8)	2,520.6
	$5,055.8	$6,235.5	$ 4,871.4	$(7,072.8)	$9,089.9

LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

(20) Supplemental Guarantor Condensed Consolidating Financial Statements — (continued)

	December 31, 2004				
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
			(In millions)		
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 123.5	$ 3.8	$ 457.6	$ —	$ 584.9
Accounts receivable	54.6	443.2	2,087.1	—	2,584.9
Inventories	17.5	193.2	410.5	—	621.2
Recoverable customer engineering and tooling	9.8	110.5	85.5	—	205.8
Other	116.7	64.8	193.7	—	375.2
Total current assets	322.1	815.5	3,234.4	—	4,372.0
LONG-TERM ASSETS:					
Property, plant and equipment, net	156.3	759.2	1,104.3	—	2,019.8
Goodwill, net	105.0	1,920.5	1,013.9	—	3,039.4
Investments in subsidiaries	4,556.1	2,543.8	—	(7,099.9)	—
Other	119.3	90.8	303.1	—	513.2
Total long-term assets	4,936.7	5,314.3	2,421.3	(7,099.9)	5,572.4
	$5,258.8	$6,129.8	$5,655.7	$(7,099.9)	$9,944.4
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Short-term borrowings	$ —	$ —	$ 35.4	$ —	$ 35.4
Accounts payable and drafts	229.5	810.8	1,737.3	—	2,777.6
Accrued liabilities	190.6	295.7	715.8	—	1,202.1
Current portion of long-term debt	626.5	2.4	3.9	—	632.8
Total current liabilities	1,046.6	1,108.9	2,492.4	—	4,647.9
LONG-TERM LIABILITIES:					
Long-term debt	1,826.1	12.0	28.8	—	1,866.9
Intercompany accounts, net	(549.6)	1,222.7	(673.1)	—	—
Other	205.6	190.0	303.9	—	699.5
Total long-term liabilities	1,482.1	1,424.7	(340.4)	—	2,566.4
STOCKHOLDERS' EQUITY	2,730.1	3,596.2	3,503.7	(7,099.9)	2,730.1
	$5,258.8	$6,129.8	$5,655.7	$(7,099.9)	$9,944.4

LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

(20) Supplemental Guarantor Condensed Consolidating Financial Statements — (continued)

	For the Three Months Ended July 2, 2005				
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
			(Unaudited; in millions)		
Net sales	$320.6	$1,803.3	$2,915.5	$(620.1)	$4,419.3
Cost of sales	354.4	1,720.1	2,744.1	(620.1)	4,198.5
Selling, general and administrative expenses	65.4	40.0	85.4	—	190.8
Interest expense	6.3	30.7	11.2	—	48.2
Intercompany (income) expense, net	(52.2)	77.9	(25.7)	—	—
Other expense, net	16.5	6.0	9.7	—	32.2
Income (loss) before provision (benefit) for income taxes and equity in net (income) loss of subsidiaries	(69.8)	(71.4)	90.8	—	(50.4)
Provision (benefit) for income taxes	(29.6)	(15.7)	39.3	—	(6.0)
Equity in net (income) loss of subsidiaries	4.2	(53.8)	—	49.6	—
Net income (loss)	$ (44.4)	$ (1.9)	$ 51.5	$ (49.6)	$ (44.4)

	For the Three Months Ended July 3, 2004				
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
			(Unaudited; in millions)		
Net sales	$274.6	$1,948.2	$2,721.0	$(659.8)	$4,284.0
Cost of sales	296.3	1,758.6	2,517.3	(659.8)	3,912.4
Selling, general and administrative expenses	45.7	46.0	67.0	—	158.7
Interest (income) expense	(9.5)	39.3	9.4	—	39.2
Intercompany (income) expense, net	(73.3)	84.7	(11.4)	—	—
Other (income) expense, net	(15.8)	3.8	26.8	—	14.8
Income before provision for income taxes and equity in net income of subsidiaries	31.2	15.8	111.9	—	158.9
Provision for income taxes	0.7	14.5	27.6	—	42.8
Equity in net income of subsidiaries	(85.6)	(38.4)	—	124.0	—
Net income	$116.1	$ 39.7	$ 84.3	$(124.0)	$ 116.1

LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	For the Six Months Ended July 2, 2005				
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
	(Unaudited; in millions)				
Net sales	$ 630.6	$3,544.7	$5,757.6	$(1,227.6)	$8,705.3
Cost of sales	709.7	3,381.4	5,421.1	(1,227.6)	8,284.6
Selling, general and administrative expenses	104.5	70.0	167.4	—	341.9
Interest expense	23.8	51.5	17.7	—	93.0
Intercompany (income) expense, net	(173.1)	160.5	12.6	—	—
Other expense, net	17.0	12.1	10.0	—	39.1
Income (loss) before provision (benefit) for income taxes and equity in net (income) loss of subsidiaries	(51.3)	(130.8)	128.8	—	(53.3)
Provision (benefit) for income taxes	(24.4)	(35.1)	35.0	—	(24.5)
Equity in net (income) loss of subsidiaries	1.9	(107.9)	—	106.0	—
Net income (loss)	$ (28.8)	$ 12.2	$ 93.8	$ (106.0)	$ (28.8)

	For the Six Months Ended July 3, 2004				
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
	(Unaudited; in millions)				
Net sales	$ 512.3	$4,048.6	$5,573.0	$(1,357.8)	$8,776.1
Cost of sales	566.7	3,674.6	5,174.1	(1,357.8)	8,057.6
Selling, general and administrative expenses	81.1	104.9	140.4	—	326.4
Interest expense	2.5	57.6	18.2	—	78.3
Intercompany (income) expense, net	(171.8)	188.7	(16.9)	—	—
Other (income) expense, net	(17.6)	10.8	35.7	—	28.9
Income before provision (benefit) for income taxes and equity in net income of subsidiaries	51.4	12.0	221.5	—	284.9
Provision (benefit) for income taxes	(0.2)	25.1	52.5	—	77.4
Equity in net income of subsidiaries	(155.9)	(94.9)	—	250.8	—
Net income	$ 207.5	$ 81.8	$ 169.0	$ (250.8)	$ 207.5

LEAR CORPORATION AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

(20) Supplemental Guarantor Condensed Consolidating Financial Statements — (continued)

	For the Six Months Ended July 2, 2005				
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
			(Unaudited; in millions)		
Net cash provided by operating activities	$ 84.4	$ 70.6	$ 371.1	$—	$ 526.1
Cash Flows from Investing Activities:					
Additions to property, plant and equipment	(58.4)	(122.8)	(97.9)	—	(279.1)
Other, net	0.4	2.6	0.1	—	3.1
Net cash used in investing activities	(58.0)	(120.2)	(97.8)	—	(276.0)
Cash Flows from Financing Activities:					
Long—term debt repayments, net	(619.8)	(1.1)	(1.3)	—	(622.2)
Short-term debt borrowings, net	—	—	5.3	—	5.3
Dividends paid	(33.6)	—	—	—	(33.6)
Proceeds from exercise of stock options	3.0	—	—	—	3.0
Repurchase of common stock	(25.4)	—	—	—	(25.4)
Increase in drafts	2.6	6.5	1.4	—	10.5
Other, net	0.6	—	—	—	0.6
Change in intercompany accounts	527.7	40.5	(568.2)	—	—
Net cash used in financing activities	(144.9)	45.9	(562.8)	—	(661.8)
Effect of foreign currency translation	—	4.1	(44.4)	—	(40.3)
Net Change in Cash and Cash Equivalents	(118.5)	0.4	(333.9)		(452.0)
Cash and Cash Equivalents as of Beginning of Period	123.5	3.8	457.6	—	584.9
Cash and Cash Equivalents as of End of Period	$ 5.0	$ 4.2	$ 123.7	$—	$ 132.9

	For the Six Months Ended July 3, 2004				
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
			(Unaudited; in millions)		
Net cash provided by operating activities	$ 90.1	$ 52.0	$ 170.0	$—	$ 312.1
Cash Flows from Investing Activities:					
Additions to property, plant and equipment	(45.1)	(55.9)	(91.6)	—	(192.6)
Deposit on acquisition	—	—	(73.9)	—	(73.9)
Other, net	(5.0)	7.0	(0.4)	—	1.6
Net cash used in investing activities	(50.1)	(48.9)	(165.9)	—	(264.9)
Cash Flows from Financing Activities:					
Long—term debt repayments, net	(10.8)	(0.5)	(0.9)	—	(12.2)
Short-term debt repayments, net	(0.3)	0.1	(9.8)	—	(10.0)
Dividends paid	(41.1)	—	—	—	(41.1)
Proceeds from exercise of stock options	16.6	—	—	—	16.6
Repurchase of common stock	(23.5)	—	—	—	(23.5)
Decrease in drafts	8.1	(6.6)	(1.8)	—	(0.3)
Change in intercompany accounts	23.7	3.6	(27.3)	—	—
Net cash used in financing activities	(27.3)	(3.4)	(39.8)	—	(70.5)
Effect of foreign currency translation	—	1.4	1.4	—	2.8
Net Change in Cash and Cash Equivalents	12.7	1.1	(34.3)		(20.5)
Cash and Cash Equivalents as of Beginning of Period	40.9	9.7	118.7	—	169.3
Cash and Cash Equivalents as of End of Period	$ 53.6	$ 10.8	$ 84.4	$—	$ 148.8

LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

Basis of Presentation — Certain of the Company's wholly-owned subsidiaries (the "Guarantors") have unconditionally fully guaranteed, on a joint and several basis, the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all of the Company's obligations under the Primary Credit 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 $800 million aggregate principal amount of 8.11% senior notes due May 2009, Euro 250 million aggregate principal amount of 8.125% senior notes due April 2008, $640 million aggregate principal amount at maturity of zero-coupon convertible senior notes due February 2022 and $400 million aggregate principal amount of 5.75% senior notes due August 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 $6.4 million and $22.0 million in the three months ended July 2, 2005 and July 3, 2004, respectively, and $14.9 million and $43.7 million in the six months ended July 2, 2005 and July 3, 2004, 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):

	July 2, 2005	December 31, 2004
Senior notes	$1,793.8	$2,424.0
Other long-term debt	16.8	43.0
	1,810.6	2,467.0
Less — current portion	(2.3)	(628.9)
	$1,808.3	$1,838.1

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 9, "Long-Term Debt."

LEAR CORPORATION

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 $12.4 billion for the year ended December 31, 1999, to $17.0 billion for the year ended December 31, 2004. The major source of our internal growth has been new program awards. We supply every major automotive manufacturer in the world, including General Motors, Ford, DaimlerChrysler, BMW, PSA, Fiat, Volkswagen, Renault-Nissan, Mazda, Subaru, Toyota and Hyundai.

We have capabilities in all five principal segments of the automotive interior market: seat systems; instrument panels and cockpit systems; overhead systems; door panels; and flooring and acoustic systems. We are also one of the leading global suppliers of automotive 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.

Demand for our products is directly related to automotive vehicle production. Automotive sales and production can be affected by general economic or industry 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 platform mix"; that is, the overall commercial success of the vehicle platforms for which we supply particular products, as well as our relative profitability on these platforms. In addition, our two largest customers, General Motors and Ford, accounted for approximately 43% of our net sales in 2004, excluding net sales to Opel, Saab, Volvo, Jaguar and Land Rover, which are affiliates of General Motors or Ford. 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 Europe, the market structure is relatively fragmented with significant overcapacity. During 2005, the domestic automakers have lowered production levels on several of our key platforms, particularly within the sport utility vehicle and light truck market segments. In addition, certain of our key platforms in North America and Europe are undergoing model changeovers or refreshenings that are having a larger than normal adverse impact on our vehicle platform mix in 2005. In North America, more than half of our major platforms, representing more than 40% of our net sales in the region, are undergoing model changeovers or refreshenings in 2005. As a result, our vehicle platform mix has had a material adverse impact on our operating results in the first half of 2005. While our vehicle platform mix is expected to improve somewhat during the course of 2005, there remains considerable uncertainty regarding our customers' production schedules. 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 North American and 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. In the second quarter of 2005, we began to implement consolidation and census actions in order to address unfavorable industry conditions. These actions are the initial phase of a comprehensive restructuring strategy intended to (i) better align our manufacturing capacity with the changing needs of our customers, (ii) eliminate excess capacity and lower our operating costs, and (iii) streamline our organizational structure and reposition our business for improved long-term profitability. The restructuring actions will consist primarily of facility consolidations and closures, including the movement of certain manufacturing operations to lower-cost countries, and census reductions. In connection with the restructuring actions, we expect to incur pre-tax costs of up to $250 million, although the overall restructuring plan has not been finalized.

Increases in certain raw material, energy and commodity costs (principally steel, resins and other oil-based commodities) had a material adverse impact on our operating results in 2004 and are continuing to have a material adverse effect on our profitability in 2005. Unfavorable industry conditions have also resulted in financial distress within our supply base and an increase in commercial disputes. We have developed strategies to mitigate or partially offset the impact of higher raw material and commodity costs, which include aggressive cost reduction actions, the utilization of our cost technology optimization process (value engineering and competitive benchmarking), 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, and will continue to be, the subject of negotiations with our customers. While we believe that our mitigation strategies would offset a substantial portion of the financial impact of these increased costs, in many cases, the implementation of these strategies requires the approval and the cooperation of our customers. No assurances can be given that the magnitude and duration of these increased costs will not have a continued material adverse impact on our 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 customers in our more established markets, we have increased our emphasis on expanding our business in the Asian market and with Asian automotive manufacturers worldwide. The Asian market presents growth opportunities, as automotive manufacturers expand production in this market to meet increasing demand. In addition, we have increased our manufacturing capabilities in Eastern Europe. We have opened facilities to support growth in the Czech Republic and Slovakia, and we are expanding our low-cost operations in Poland and Romania. 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 the Asian market 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 certain customer payment terms are expected to have a material negative impact on our reported cash flows in 2005 but are not expected to have a significant impact on our average daily cash flows. In addition, our cash flow is also dependent on our ability to efficiently manage our capital spending. Capital spending is expected to be higher in 2005 than in prior years, primarily as a result of new program spending and investments in common seat architecture.

We utilize return on invested capital as 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. The level of profitability and the return on invested capital of our interior segment is below that of our seating and electronic and electrical segments. We continue to evaluate strategic alternatives with respect to this segment.

In the second quarter of 2005, we incurred costs of $28 million related to the restructuring actions described above. In addition, we recorded a charge of $17 million related to the impairment of an investment in a non-core business and experienced $35 million in litigation-related charges. In the first quarter, we recorded a tax benefit of $18 million resulting from a tax law change in Poland. In the second quarter of 2004, we incurred costs of $22 million related to facility closures and other similar actions. For further information regarding to these items, see "— Restructuring" and Note 2, "Restructuring," Note 8, "Investments in Affiliates," Note 12, "Provision (Benefit) for Income Taxes," and Note 16, "Legal and Other Contingencies," to the accompanying consolidated financial statements.

For further information regarding 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, 2004.

LEAR CORPORATION

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				Six Months Ended			
	July 2, 2005		July 3, 2004		July 2, 2005		July 3, 2004	
Net sales								
Seating	$2,879.9	65.2%	$2,888.0	67.4%	$5,628.6	64.6%	$5,895.8	67.2%
Interior	767.0	17.3	739.1	17.3	1,529.8	17.6	1,556.4	17.7
Electronic and electrical	772.4	17.5	656.9	15.3	1,546.9	17.8	1,323.9	15.1
Net sales	4,419.3	100.0	4,284.0	100.0	8,705.3	100.0	8,776.1	100.0
Gross profit	220.8	5.0	371.6	8.7	420.7	4.8	718.5	8.2
Selling, general and administrative expenses	190.8	4.3	158.7	3.7	341.9	3.9	326.4	3.7
Interest expense	48.2	1.1	39.2	0.9	93.0	1.1	78.3	0.9
Other expense, net	32.2	0.7	14.8	0.4	39.1	0.4	28.9	0.3
Provision (benefit) for income taxes	(6.0)	(0.1)	42.8	1.0	(24.5)	(0.3)	77.4	0.9
Net income (loss)	$ (44.4)	(1.0)%	$ 116.1	2.7%	$ (28.8)	(0.3)%	$ 207.5	2.4%

Three Months Ended July 2, 2005 vs. Three Months Ended July 3, 2004

Net sales in the second quarter of 2005 were $4.4 billion as compared to $4.3 billion in the second quarter of 2004, an increase of $135 million or 3.2%. New business, net of selling price reductions, the impact of net foreign exchange rate fluctuations and the acquisition of Grote & Hartmann favorably impacted net sales by $328 million, $124 million and $58 million, respectively. This increase was partially offset by less favorable vehicle platform mix and lower production volumes, particularly in North America, which collectively reduced net sales by $409 million.

Gross profit and gross margin were $221 million and 5.0% in the quarter ended July 2, 2005, as compared to $372 million and 8.7% in the quarter ended July 3, 2004. The declines in gross profit and gross margin were largely due to selling price reductions, less favorable vehicle platform mix and lower production volumes, which collectively reduced gross profit by $239 million. Gross profit was also negatively affected by the net impact of higher commodity costs and, to a lesser extent, costs incurred related to our restructuring actions. These decreases were partially offset by the benefit from our productivity initiatives and other efficiencies.

Selling, general and administrative expenses, including research and development, were $191 million in the three months ended July 2, 2005, as compared to $159 million in the three months ended July 3, 2004. As a percentage of net sales, selling, general and administrative expenses were 4.3% and 3.7% in the second quarters of 2005 and 2004, respectively. Selling, general and administrative expenses increased during the quarter primarily due to $30 million in litigation-related charges, as well as incremental spending resulting from the acquisition of Grote & Hartmann and costs incurred related to our restructuring strategy. These increases were partially offset by a decrease in compensation-related expenses.

Interest expense was $48 million in the second quarter of 2005 as compared to $39 million in the second quarter of 2004, primarily due to the interest component of litigation-related charges and an increase in short-term interest rates.

Other expense, which includes state and local non-income taxes, foreign exchange gains and losses, minority interests in consolidated subsidiaries, equity in net income (loss) of affiliates, gains and losses on the sales of fixed assets and other miscellaneous income and expense, was $32 million in the second quarter of 2005 as compared to $15 million in the second quarter of 2004. This increase is primarily related to a $17 million impairment charge on an equity investment in a non-core business, which was subsequently divested.

The benefit for income taxes was $6 million, representing an effective tax rate of 11.9%, for the three months ended July 2, 2005, as compared to a provision for income taxes of $43 million, representing an effective tax rate of 26.9%, for the three months ended July 3, 2004. The decrease in the effective tax rate is primarily the result of the impact of a portion of the restructuring and litigation-related charges that were incurred in countries for which no tax benefit was provided due to a history of operating losses in those countries. In addition, no tax benefit was provided on the $17 million impairment charge referred to above because this item will

result in a capital loss for which no tax benefit is likely to be realized. Excluding these items, the effective tax rate for the three months ended July 2, 2005, was 24.1% as compared to an effective tax rate of 26.9% for the three months ended July 3, 2004. This decrease is primarily the result of the mix of our earnings by country. Excluding these items, the effective tax rates for the second quarters of 2005 and 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. During 2005, we have recognized a tax benefit for operating losses generated in the United States as we believe it is more likely than not that such benefit will be realized.

Net loss in the second quarter of 2005 was $44 million, or $0.66 per diluted share, as compared to net income of $116 million, or $1.58 per diluted share, in the second quarter of 2004, for the reasons 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 instrument panels and cockpit systems, overhead systems, door panels, flooring and acoustic 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 17, "Segment Reporting."

Seating

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

	Three months ended	
	July 2, 2005	**July 3, 2004**
Net sales	$2,879.9	$2,888.0
Income before interest, other expense and income taxes	48.6	187.8
Margin	1.7%	6.5%

Seating net sales were $2.9 billion in the second quarter of 2005 as well as in the second quarter of 2004. Less favorable vehicle platform mix and lower production volumes, particularly in North America, reduced net sales by $352 million. This decrease was largely offset by the impact of new business, net of selling price reductions, and net foreign exchange rate fluctuations, which improved net sales by $239 million and $92 million, respectively. Income before interest, other expense and income taxes and the related margin on net sales were $49 million and 1.7% in the three months ended July 2, 2005, as compared to $188 million and 6.5% in the three months ended July 3, 2004. The declines in income before interest, other expense and income taxes and the related margin were largely due to less favorable vehicle platform mix and lower production volumes, which, collectively with the favorable impact of new business, negatively impacted income before interest, other expense and income taxes by $69 million. Litigation-related charges also reduced income before interest, other expense and income taxes by $30 million. The effect of net selling price reductions and the net impact of higher commodity costs were partially offset by the benefit from our productivity initiatives and other efficiencies.

Interior

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

	Three months ended	
	July 2, 2005	July 3, 2004
Net sales	$ 767.0	$ 739.1
Income (loss) before interest, other expense and income taxes	(17.8)	20.0
Margin	(2.3)%	2.7%

Interior net sales were $767 million in the second quarter of 2005 as compared to $739 million in the second quarter of 2004, an increase of $28 million or 3.8%. The impact of new business, net of selling price reductions, and net foreign exchange rate fluctuations improved net sales by $52 million and $11 million, respectively. These increases were partially offset by less favorable vehicle platform mix and lower production volumes, particularly in North America, which reduced net sales by $32 million. Income (loss) before interest, other expense and income taxes and the related margin on net sales were ($18) million and (2.3)% in the three months ended July 2, 2005, as compared to $20 million and 2.7% in the three months ended July 3, 2004. The declines in income (loss) before interest, other expense and income taxes and the related margin were largely due to less favorable vehicle platform mix and lower production volumes, which, collectively with the favorable impact of new business, negatively impacted income (loss) before interest, other expense and income taxes by $23 million. The net impact of higher commodity costs also reduced income before interest, other expense and income taxes.

Electronic and Electrical

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

	Three months ended	
	July 2, 2005	July 3, 2004
Net sales	$ 772.4	$ 656.9
Income before interest, other expense and income taxes	52.0	59.2
Margin	6.7%	9.0%

Electronic and electrical net sales were $772 million in the second quarter of 2005 as compared to $657 million in the second quarter of 2004, an increase of $116 million or 17.6%. The impact of the acquisition of Grote & Hartmann, new business, net of selling price reductions, and net foreign exchange rate fluctuations improved net sales by $58 million, $37 million and $21 million, respectively. These increases were partially offset by less favorable vehicle platform mix and lower production volumes, which reduced net sales by $25 million. Income before interest, other expense and income taxes and the related margin on net sales were $52 million and 6.7% in the three months ended July 2, 2005, as compared to $59 million and 9.0% in the three months ended July 3, 2004. In the current quarter, we incurred costs related to our restructuring actions of $10 million. The effect of net selling price reductions was largely offset by the benefit from our productivity initiatives and other efficiencies, as well as new business.

Six Months Ended July 2, 2005 vs. Six Months Ended July 3, 2004

Net sales in the first six months of 2005 were $8.7 billion as compared to $8.8 billion in the first six months of 2004, a decrease of $71 million or 0.8%. Less favorable vehicle platform mix and lower production volumes, particularly in North America, collectively reduced net sales by $1.1 billion. These decreases were largely offset by new business, net of selling price reductions, the impact of net foreign exchange rate fluctuations and the acquisition of Grote & Hartmann, which favorably impacted net sales by $625 million, $239 million and $120 million, respectively.

Gross profit and gross margin were $421 million and 4.8% in the six months ended July 2, 2005, as compared to $719 million and 8.2% in the six months ended July 3, 2004. The declines in gross profit and gross margin were largely due to selling price reductions, less favorable vehicle platform mix and lower production volumes, which collectively reduced gross profit by $476 million. Gross profit was also negatively affected by the net impact of higher commodity costs. These decreases were partially offset by the benefit from our productivity initiatives and other efficiencies.

Selling, general and administrative expenses, including research and development, were $342 million in the six months ended July 2, 2005, as compared to $326 million in the six months ended July 3, 2004. As a percentage of net sales, selling, general and administrative expenses were 3.9% and 3.7% in the first six months of 2005 and 2004, respectively. Selling, general and administrative expenses increased during the first six months of the year primarily due to $30 million in litigation-related charges, as well as incremental spending resulting from the acquisition of Grote & Hartmann and costs incurred related to our restructuring actions. These increases were partially offset by decreases in research and development expenses and compensation-related expenses.

Interest expense was $93 million in the first six months of 2005 as compared to $78 million in the first six months of 2004, primarily due to an increase in short-term interest rates and the interest component of litigation-related charges.

Other expense, which includes state and local non-income taxes, foreign exchange gains and losses, minority interests in consolidated subsidiaries, equity in net income (loss) of affiliates, gains and losses on the sales of fixed assets and other miscellaneous income and expense, was $39 million in the first six months of 2005 as compared to $29 million in the first six months of 2004. This increase is primarily related to a $17 million impairment charge on an equity investment in a non-core business, which was subsequently divested. The impact of foreign exchange rate fluctuations on certain net asset and liability balances partially offset this increase.

The benefit for income taxes was $25 million, representing an effective tax rate of 46.0%, for the six months ended July 2, 2005, as compared to a provision for income taxes of $77 million, representing an effective tax rate of 27.2%, for the six months ended July 3, 2004. The increase in the effective tax rate is primarily the result of a one-time benefit of $18 million in the first quarter of 2005 resulting from a tax law change in Poland, partially offset by the impact of a portion of the restructuring and litigation-related charges that were incurred in countries for which no tax benefit was provided due to a history of operating losses in those countries. In addition, no tax benefit was provided on the $17 million impairment charge referred to above because this item will result in a capital loss for which no tax benefit is likely to be realized. Excluding these items, the effective tax rate for the six months ended July 2, 2005, was 24.0% as compared to an effective tax rate of 27.2% for the six months ended July 3, 2004. This decrease is primarily the result of the mix of our earnings by country. Excluding these items, the effective tax rates for the first six months of 2005 and 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. During 2005, we have recognized a tax benefit for operating losses generated in the United States as we believe it is more likely than not that such benefit will be realized.

Net loss in the first six months of 2005 was $29 million, or $0.43 per diluted share, as compared to net income of $208 million, or $2.82 per diluted share, in the first six months of 2004, for the reasons 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 instrument panels and cockpit systems, overhead systems, door panels, flooring and acoustic 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 17, "Segment Reporting."

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Seating

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

	Six months ended	
	July 2, 2005	July 3, 2004
Net sales	$ 5,628.6	$ 5,895.8
Income before interest, other expense and income taxes	98.7	335.4
Margin	1.8%	5.7%

Seating net sales were $5.6 billion in the first six months of 2005 as compared to $5.9 billion in the first six months of 2004, a decrease of $267 million or 4.5%. Less favorable vehicle platform mix and lower production volumes, particularly in North America, reduced net sales by $911 million. This decrease was partially offset by the impact of new business, net of selling price reductions, and net foreign exchange rate fluctuations, which improved net sales by $447 million and $174 million, respectively. Income before interest, other expense and income taxes and the related margin on net sales were $99 million and 1.8% in the six months ended July 2, 2005, as compared to $335 million and 5.7% in the six months ended July 3, 2004. The declines in income before interest, other expense and income taxes and the related margin were largely due to less favorable vehicle platform mix and lower production volumes, which, collectively with the favorable impact of new business, negatively impacted income before interest, other expense and income taxes by $181 million. Litigation-related charges also reduced income before interest, other expense and income taxes by $30 million. The effect of net selling price reductions and the net impact of higher commodity costs were partially offset by the benefit from our productivity initiatives and other efficiencies.

Interior

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

	Six months ended	
	July 2, 2005	July 3, 2004
Net sales	$ 1,529.8	$ 1,556.4
Income (loss) before interest, other expense and income taxes	(26.2)	48.7
Margin	(1.7)%	3.1%

Interior net sales were $1.5 billion in the first six months of 2005 as compared to $1.6 million in the first six months of 2004, a decrease of $27 million or 1.7%. Less favorable vehicle platform mix and lower production volumes, particularly in North America, reduced net sales by $153 million. This decrease was partially offset by the impact of new business, net of selling price reductions, and net foreign exchange rate fluctuations, which improved net sales by $113 million and $24 million, respectively. Income (loss) before interest, other expense and income taxes and the related margin on net sales were ($26) million and (1.7)% in the six months ended July 2, 2005, as compared to $49 million and 3.1% in the six months ended July 3, 2004. The declines in income (loss) before interest, other expense and income taxes and the related margin were largely due to less favorable vehicle platform mix and lower production volumes, which, collectively with the favorable impact of new business, negatively impacted income (loss) before interest, other expense and income taxes by $72 million. The effect of net selling price reductions and the net impact of higher commodity costs were largely offset by the benefit from our productivity initiatives and other efficiencies.

Electronic and Electrical

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

	Six months ended	
	July 2, 2005	July 3, 2004
Net sales	$ 1,546.9	$ 1,323.9
Income before interest, other expense and income taxes	110.3	118.5
Margin	7.1%	9.0%

Electronic and electrical net sales were $1.5 billion in the first six months of 2005 as compared to $1.3 billion in the first six months of 2004, an increase of $223 million or 16.8%. The impact of the acquisition of Grote & Hartmann, new business, net of selling price reductions, and net foreign exchange rate fluctuations improved net sales by $120 million, $65 million and $41 million, respectively. These increases were partially offset by less favorable vehicle platform mix and lower production volumes, which reduced net sales by $55 million. Income before interest, other expense and income taxes and the related margin on net sales were $110 million and 7.1% in the six months ended July 2, 2005, as compared to $119 million and 9.0% in the six months ended July 3, 2004. In the current period, we incurred costs related to our restructuring actions of $10 million. The effect of net selling price reductions was largely offset by the benefit from our productivity initiatives and other efficiencies, as well as new business.

Restructuring

2005

In order to address unfavorable industry conditions, we began to implement consolidation and census actions in the second quarter of 2005. These actions are the initial phase of a comprehensive restructuring strategy intended to (i) better align our manufacturing capacity with the changing needs of our customers, (ii) eliminate excess capacity and lower our operating costs and (iii) streamline our organizational structure and reposition our business for improved long-term profitability. The restructuring actions will consist primarily of facility consolidations and closures, including the movement of certain manufacturing operations to lower-cost countries, and census reductions.

In connection with the restructuring actions, we expect to incur pre-tax costs of up to $250 million, although the overall restructuring plan has not been finalized. Such costs will include employee termination benefits, asset impairment charges and contract termination costs, as well as other incremental costs resulting from the restructuring actions. These incremental costs will principally include equipment and personnel relocation costs. We also expect to incur incremental manufacturing inefficiency costs at the operating locations impacted by the restructuring actions during the related restructuring implementation period. Restructuring costs will be recognized in our consolidated financial statements in accordance with accounting principles generally accepted in the United States. Generally, charges will be recorded as elements of the restructuring plan are finalized. Actual costs recorded in our consolidated financial statements may vary from current estimates.

In connection with the initial phase of our restructuring actions, we recorded charges of $28 million in the second quarter of 2005, including $22 million recorded as cost of sales and $5 million recorded as selling, general and administrative expenses. The charges consist of employee termination benefits of $16 million for 182 salaried and 1,237 hourly employees, asset impairment charges of $5 million and contract termination costs of $5 million, as well as other costs of $1 million. We also incurred approximately $1 million in manufacturing inefficiency costs during this period as a result of the restructuring. Employee termination benefits were recorded based on existing union and employee contracts, statutory requirements and completed negotiations. Asset impairment charges relate to the disposal of leasehold improvements and machinery and equipment with carrying values of $5 million in excess of related estimated fair values. Contract termination costs include lease cancellation costs of $3 million, which are expected to be paid through 2006, pension and other postretirement benefit plan curtailments of $1 million and the repayment of an income tax grant of $1 million.

2004

In December 2003, we initiated actions affecting two of our U.S. seating facilities. As a result of these actions, we recorded charges of $26 million for employee termination benefits and asset impairments in 2003. These actions 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.

For further information related to our restructuring actions, see Note 2, “Restructuring,” to the accompanying consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

Our primary liquidity needs are to fund capital expenditures, service indebtedness and support working capital requirements. Our recently announced restructuring strategy is also expected to require significant cash expenditures. Our principal sources of liquidity are cash flows from operating activities and borrowings under available credit facilities. A substantial portion of our operating income is generated by our subsidiaries. As a result, we are dependent on the earnings and cash flows of and the combination of dividends, distributions and 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. For further information regarding

potential dividends from our non-U.S. subsidiaries, see Note 8, “Income Taxes,” to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2004.

Cash Flow

Cash flows from operating activities were $526 million in the first six months of 2005 as compared to $312 million in the first six months of 2004. An increase in the net change in sold accounts receivable and in the net change in working capital, including the net change in recoverable customer engineering and tooling, collectively resulted in a $421 million increase in cash provided by operating activities between periods. This increase was partially offset by a decrease of $236 million in net income in the current period. Increases in accounts payable and accounts receivable were a source of $233 million of cash and a use of $85 million of cash, respectively, in the first six months of 2005, reflecting the timing of payments made to our suppliers and received from our customers.

Cash flows used in investing activities were $276 million in the first six months of 2005 as compared to $265 million in the first six months of 2004, reflecting an $87 million increase in capital expenditures in 2005, offset by a $74 million deposit made in connection with the acquisition of Grote & Hartmann in 2004.

Cash flows used in financing activities were $661 million in the first six months of 2005 as compared to $71 million in the first six months of 2004, primarily reflecting the repayment of the $600 million senior notes due May 2005.

Capitalization

In addition to cash provided by operating activities, we utilize a combination of our credit facility and long-term notes to fund our capital expenditures and working capital requirements. For the six months ended July 2, 2005 and July 3, 2004, our average outstanding debt balance was $2.3 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 6.6% and 6.0% for the respective periods.

We utilize uncommitted lines of credit as needed for our short-term working capital fluctuations. For the six months ended July 2, 2005 and July 3, 2004, our average outstanding unsecured short-term debt balance was $42 million and $11 million, respectively. The weighted average interest rate, including the effect of hedging activities, was 3.5% and 2.4% for the respective periods. The availability of uncommitted lines of credit may be affected by our financial performance, credit ratings and other factors. Uncommitted lines of credit available from banks has decreased by approximately $90 million from December 31, 2004, through the date of this Report.

Primary Credit Facility

On March 23, 2005, we entered into a $1.7 billion credit and guarantee agreement (the “primary credit facility”), which matures on March 23, 2010. The primary credit facility replaced our existing $1.7 billion amended and restated credit facility, which was due to mature on March 26, 2006, and which was terminated on March 23, 2005. As of July 2, 2005, we had no borrowings outstanding under our primary credit facility and $58 million committed under outstanding letters of credit, resulting in more than $1.6 billion of unused availability.

On August 3, 2005, our primary credit facility was amended to (i) revise the leverage ratio covenant for the third quarter of 2005 through the first quarter of 2006, (ii) obtain the consent of the lenders to permit us to enter into a new 18-month term loan facility (the “proposed term loan facility”) with a principal amount of up to $400 million and (iii) provide for the pledge of the capital stock of certain of our material subsidiaries to secure our obligations under the primary credit facility and the proposed term loan facility. Proceeds from the proposed term loan facility would be used to create additional excess liquidity in light of the payoff at maturity of our $600 million 7.96% senior notes in May 2005, our reduced operating cash flows and cash charges associated with our restructuring actions. Two of our lead lenders under the primary credit facility have committed to provide an aggregate of $300 million under the proposed term loan facility, subject to various conditions. Other lenders under the primary credit facility are expected to participate in the proposed term loan facility, which may be in an aggregate principal amount of up to $400 million. The proposed term loan facility is scheduled to be consummated in the third quarter of 2005, but no assurance may be given that the facility will be consummated on the terms contemplated or at all. Our obligations under the primary credit facility are guaranteed by certain of our subsidiaries that also guarantee the obligations under our outstanding senior notes. These subsidiaries would also guarantee our obligations under the proposed term loan facility. The primary credit facility provides for maximum revolving borrowing commitments of $1.7 billion, which may be increased to $2.5 billion by us under certain circumstances. The primary credit facility provides for multicurrency revolving borrowings in a maximum aggregate amount of $750 million, Canadian revolving borrowings in a maximum aggregate amount of $200 million and swing-line revolving borrowings in a maximum aggregate amount of $300 million, the commitments for which are part of the aggregate revolving credit facility commitment.

The primary credit facility contains operating and financial covenants that, among other things, could limit our ability to obtain additional sources of capital. As amended, the principal financial covenants require that we maintain a leverage ratio of not more than 3.25 to 1 as of July 2, 2005, 3.75 to 1 as of October 1, 2005 and December 31, 2005, 3.50 to 1 as of April 1, 2006 and 3.25 to 1 as of the end of each quarter thereafter and an interest coverage ratio of not less than 3.5 to 1 as of the end of each quarter (as such ratios are defined in the primary credit facility). As of July 2, 2005, we were in compliance with all covenants and other requirements set forth in our primary credit facility. Our leverage and interest coverage ratios were 1.9 to 1 and 5.4 to 1, respectively. These ratios are calculated on a trailing four quarter basis. As a result, any decline in our operating results negatively impacts our coverage ratios in the future. See "— Other Matters — Outlook."

Revolving borrowings under the primary credit facility, as amended, bear interest, payable no less frequently than quarterly, at (a) (1) applicable interbank rates, on Eurodollar and Eurocurrency loans, (2) the greater of the U.S. prime rate and the federal funds rate plus 0.50%, on base rate loans, (3) the greater of the rate publicly announced by the Canadian administrative agent and the federal funds rate plus 0.50%, on U.S. dollar denominated Canadian loans, (4) the greater of prime rate announced by the Canadian administrative agent and the average Canadian interbank bid rate (CDOR) plus 1.0%, on Canadian dollar denominated Canadian loans, and (5) various published or quoted rates, on swing line and other loans, plus (b) a percentage spread ranging from 0% to a maximum of 1.0%, depending on the type of loan and/or currency and our credit rating or leverage ratio. Under the primary credit facility, we agree to pay a facility fee, payable quarterly, at rates ranging from 0.10% to a maximum of 0.35%, depending on our credit rating or leverage ratio, and when applicable, a utilization fee.

Senior Notes

As of July 2, 2005, we had $1.9 billion of debt outstanding, including short-term borrowings, consisting primarily of $399 million aggregate principal amount of senior notes due August 2014, $293 million accreted value of zero-coupon senior notes due February 2022, Euro 250 million (approximately $301 million based on the exchange rate in effect as of July 2, 2005) aggregate principal amount of senior notes due April 2008 and $800 million aggregate principal amount of senior notes due May 2009. In May 2005, we repaid the $600 million senior notes due in May 2005 at maturity with excess cash and borrowings under the primary credit facility.

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 July 2, 2005, 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 the primary credit facility. In the event that any such subsidiary ceases to be a guarantor under the primary credit facility, such subsidiary will be released as a guarantor of the senior notes.

Scheduled cash interest payments on our outstanding senior notes are $56 million in the last six months of 2005.

Off-Balance Sheet Arrangements

Asset-Backed Securitization Facility

We have an asset-backed securitization facility (the "ABS facility") in place which provides for maximum purchases of adjusted accounts receivable of $150 million. As of July 2, 2005, accounts receivable in an aggregate amount of $130 million were sold under this facility. Although we utilized the ABS facility throughout 2004, as of December 31, 2004, there were no accounts receivable sold under the facility. The level of funding utilized under this facility is based on the credit ratings of our major customers, the level of aggregate accounts receivable in a specific month and our funding requirements. Should our major customers experience further reductions in their credit ratings, we may be unable to utilize the ABS facility in the future. Should this occur, we would anticipate utilizing our primary credit facility to replace the funding currently provided by the ABS facility.

Guarantees and Commitments

We guarantee the residual value of certain of our leased assets. As of July 2, 2005, these guarantees totaled $27 million. In addition, we guarantee certain of the debt of some of our unconsolidated affiliates. The percentages of debt guaranteed of these entities are based on our ownership percentages. As of July 2, 2005, the aggregate amount of debt guaranteed was approximately $26 million.

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Accounts Receivable Factoring

Certain of our European and Asian subsidiaries periodically 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 July 2, 2005, the amount of factored receivables was $138 million. As of December 31, 2004, there were no factored accounts receivable. We cannot provide any assurances that these factoring facilities will be available or utilized in the future.

Credit Ratings

The credit ratings below 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.

The credit ratings of our senior unsecured debt as of the date of this Report, are shown below. The rating of Fitch Ratings is "investment grade." The rating of Standard & Poor's Ratings Services is one level below investment grade. The rating of Moody's Investors Service is two levels below investment grade.

	Standard & Poor's Ratings Services	Moody's Investors Service	Fitch Ratings
Credit rating of senior unsecured debt	BB+	Ba2	BBB-
Ratings outlook	Negative	Stable	Negative

In August 2005, Standard & Poor's Ratings Services changed its credit rating of our senior unsecured debt from BBB- to BB+ and maintained its ratings outlook at negative. In July 2005, Moody's Investors Service changed its credit rating of our senior unsecured debt from Baa3 to Ba2 and moved its ratings outlook from negative to stable. Also in July 2005, Fitch Ratings moved its ratings outlook from stable to negative.

Dividends

A summary of 2005 dividend activity is shown below:

Dividend Amount	Declaration Date	Record Date	Payment Date
$0.25 per share	January 13, 2005	February 25, 2005	March 14, 2005
$0.25 per share	May 5, 2005	May 20, 2005	June 6, 2005
$0.25 per share	August 3, 2005	August 19, 2005	September 6, 2005

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. See "— Forward-Looking Statements."

Common Stock Repurchase Program

In November 2004, 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. During the first quarter of 2005, we repurchased 490,900 shares of our outstanding common stock at an average purchase price of $51.72 per share, excluding commissions of $0.03 per share. There were no shares repurchased during the second quarter of 2005. As of July 2, 2005, 4,509,100 shares of common stock were available for repurchase under the common stock repurchase program. The extent to which we will repurchase our common stock and the timing of such repurchases will depend upon prevailing market conditions, alternative uses of capital and other factors. See "— Forward-Looking Statements."

Adequacy of Liquidity Sources

We believe that cash flows from operations and borrowing capacity under available credit facilities 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. 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, 2004.

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 July 2, 2005. 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 $4 million. The potential earnings exposure 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 July 2, 2005, foreign exchange contracts representing $1.4 billion of notional amount were outstanding with maturities of less than six months. As of July 2, 2005, the fair market value of these foreign exchange contracts was approximately $14 million. A 10% change in the value of the U.S. dollar relative to all other currencies would result in a $30 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 $19 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 exchange contracts to mitigate this exposure.

Interest Rates

We use a combination of fixed and variable rate debt and interest rate swap contracts to manage our exposure to interest rate movements. Our exposure to variable interest rates on outstanding variable rate debt instruments indexed to United States or European Monetary Union short-term money market rates is partially managed by the use of interest rate swap contracts to convert certain variable rate debt obligations to fixed rate, matching effective and maturity dates to specific debt instruments. We also utilize interest rate swap contracts to convert certain fixed rate debt obligations to variable rate, matching effective and maturity dates to specific debt instruments. 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 included as adjustments to interest expense in our consolidated statements of operations on an accrual basis. As of July 2, 2005, there were no contracts outstanding which convert variable rate debt obligations to fixed rate, only contracts which convert fixed rate debt obligations to variable rate.

We have performed a quantitative analysis of our overall interest rate exposure as of July 2, 2005. This analysis assumes an instantaneous 100 basis point parallel shift in interest rates at all points of the yield curve. The potential earnings exposure from this hypothetical increase for a twelve-month period is approximately $8 million.

As of July 2, 2005, interest rate swap contracts representing $300 million of notional amount were outstanding with maturity dates through May 2009. All of these contracts are designated as fair value hedges and modify the fixed rate characteristics of our outstanding 8.11% senior notes due May 2009. The fair market value of all outstanding interest rate swap contracts is subject to changes in value due to changes in interest rates. As of July 2, 2005, the fair market value of these contracts was approximately negative $9 million. A 100 basis point parallel shift in interest rates would result in a $11 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, including steel, leather, resins and diesel fuel. In limited circumstances, we have used financial instruments to mitigate this risk. Increases in certain raw material, energy and commodity costs (principally steel, resins and other oil-based commodities) had a material adverse impact on our operating results in 2004 and are continuing to have a material adverse effect on our profitability in 2005. Unfavorable industry conditions have also resulted in financial distress within our supply base and an increase in commercial disputes. We have developed strategies to mitigate or partially offset the impact of higher raw material and commodity costs, which include aggressive cost reduction actions, the utilization of our cost technology optimization process, 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, and will continue to be, the subject of negotiations with our customers. While we believe that our mitigation strategies would offset a substantial portion of the financial impact of these increased costs, in many cases, the implementation of these strategies requires the approval and the cooperation of our customers. No assurances can be given that the magnitude and duration of these increased costs will not have a continued material adverse impact on our operating results. 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, 2004.

OTHER MATTERS

Legal and Environmental Matters

We are involved from time to time in legal proceedings and claims relating to commercial or contractual disputes, including disputes with our suppliers. Largely as a result of generally unfavorable industry conditions and financial distress within our supply base, we have experienced an increase in commercial and contractual disputes in 2005, particularly with suppliers. These disputes vary in nature and are usually resolved by negotiations between the parties. In a recent matter, however, a European seat trim supplier obtained a preliminary judgment (with no notice provided to us or our foreign subsidiary) awarding the supplier approximately $11 million in interest and penalties for allegedly late payments. Our foreign subsidiary is challenging the applicability of the statute under which the preliminary judgment was awarded, as well as related attachment proceedings.

On January 29, 2002, Seton Company ("Seton"), one of our leather suppliers, filed a suit alleging that we had breached a purported agreement to purchase leather from Seton for seats for the life of the General Motors GMT 800 program. Seton filed the lawsuit in the U.S. District Court for the Eastern District of Michigan seeking compensatory and exemplary damages totaling approximately $97 million plus interest on breach of contract and promissory estoppel claims. In May 2005, this case proceeded to trial, and the jury returned a $30 million verdict against us. The Court is considering motions regarding the amount of pre-judgment interest that will be awarded in addition to the verdict. We have filed post-trial motions challenging the verdict, and if these motions are unsuccessful, we intend to appeal the final judgment.

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 clean-up costs resulting from past spills, disposals 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 operations, no assurances can be given in this regard.

In January 2004, the Securities and Exchange Commission (the "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's inquiry does not relate to our consolidated financial statements. In February 2005, the staff of the SEC informed us that it proposed to recommend to the SEC that it issue an administrative "cease and desist" order as a result of our failure to disclose the related party transactions in question prior to the amendment of our 2001 Form 10-K. We expect to consent to the entry of the order as part of a settlement of this matter.

On June 13, 2005, The Chamberlain Group ("Chamberlain") filed a lawsuit against us and Ford Motor Company ("Ford") in the Northern District of Illinois alleging patent infringement. Two counts are asserted against us and Ford based upon Chamberlain's rolling code security system patent and a related product which operates transmitters to actuate garage door openers. Two additional counts are asserted against Ford only (not us) based upon different Chamberlain patents. The Chamberlain lawsuit was filed in connection with our marketing of our universal garage door opener system, which competes with a product offered by Johnson Controls Inc. ("JCI"). JCI obtained technology from Chamberlain to operate its product. On January 26, 2004, we filed a patent infringement lawsuit against JCI in the U.S. District Court for Eastern District of Michigan asserting that JCI's garage door opener product infringed certain of our radio frequency transmitter patents. After we filed our patent infringement action against JCI, JCI sued one of our vendors in Ottawa Circuit Court, Michigan, on July 7, 2004, alleging misappropriation of trade secrets. In this action, JCI attempted to prevent the engineering firm from working with us. We intend to vigorously defend the Chamberlain action and pursue our patent infringement claims against JCI. While we do not believe that any of these lawsuits will have a material adverse impact on our business, consolidated financial position or results of operations, no assurances can be given in this regard.

For further information related to legal and environmental matters, see Part II — Item 1, "Legal Proceedings."

Certain Tax Matters

UT Automotive

Prior to our acquisition of UT Automotive from UTC in May 1999, a subsidiary of Lear purchased the stock of a UT Automotive subsidiary. In connection with the acquisition, we agreed to indemnify UTC for certain tax consequences if the Internal Revenue Service (the "IRS") overturned UTC's tax treatment of the transaction. The IRS has proposed an adjustment to UTC's tax treatment of the transaction seeking an increase in tax of approximately $88 million, excluding interest. A protest objecting to the proposed adjustment has been filed with the IRS. The case has now been referred to the Appeals Office of the IRS for an independent review. An indemnity payment by us to UTC for the ultimate amount due to the IRS would constitute an adjustment to the purchase price and resulting goodwill of the UT Automotive acquisition, if and when made, and would not be expected to have a material effect on our reported earnings. We believe that valid support exists for UTC's tax positions and intend to vigorously contest the IRS's proposed adjustment. However, the ultimate outcome of this matter is not certain.

American Jobs Creation Act of 2004

In October 2004, the American Jobs Creation Act of 2004 ("the Act") was signed into law. The Act creates a temporary incentive for U.S. corporations to repatriate earnings from foreign subsidiaries by providing an 85% dividends received deduction for certain dividends from controlled foreign corporations to the extent the dividends exceed a base amount and are invested in the United States pursuant to a domestic reinvestment plan. The temporary incentive is available to us in 2005. The amount of our dividends potentially eligible for the deduction is limited to $500 million.

The U.S. Treasury Department has provided clarifying guidance with respect to certain elements of the repatriation provision, and it is expected that additional clarifying guidance will be issued. In addition, Congress recently reintroduced legislation that provides for certain technical corrections to the Act. We have not completed our evaluation of the repatriation provision due to numerous tax, legal, treasury and business considerations. We expect to complete our evaluation of the potential dividends we may pursue, if any, and the related tax ramifications during the fourth quarter of 2005.

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, the 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, 2004. There have been no significant changes to our significant accounting policies or critical accounting estimates during the first six months of 2005.

Goodwill and Long-Lived Assets

We monitor our goodwill and long-lived assets for impairment indicators on an ongoing basis. We perform our annual goodwill impairment analysis, as required by Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," on the first business day of our fourth quarter. We do not currently believe that there are impairment indicators of our goodwill or long-lived assets. However, in conjunction with our restructuring strategy, we are evaluating strategic alternatives with respect to our interior segment, and we have recently experienced a decrease in our operating results. A further decline in our operating results or the realignment of our interior segment could result in impairment charges.

Recently Issued Accounting Pronouncements

Inventory Costs

The Financial Accounting Standards Board ("FASB") issued SFAS No. 151, "Inventory Costs – an amendment of ARB No. 43, Chapter 4." This statement clarifies the requirement that abnormal inventory-related costs be recognized as current-period charges and requires that the allocation of fixed production overheads to inventory conversion costs be based on the normal capacity of the production facilities. The provisions of this statement are to be applied prospectively to inventory costs incurred during fiscal years beginning after June 15, 2005. We do not expect the effects of adoption to be significant.

Nonmonetary Assets

The FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets – an amendment of APB Opinion No. 29." APB Opinion No. 29, in general, requires the use of fair value as the measurement basis for exchanges of nonmonetary assets. This statement eliminates the exception to the fair value measurement principle for nonmonetary exchanges of similar productive assets and replaces it with a general exception for nonmonetary asset exchanges that lack commercial substance. The provisions of this statement are to be applied prospectively to nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. We do not expect the effects of adoption to be significant.

Accounting Changes

The FASB issued SFAS No. 154, "Accounting Changes and Error Corrections: a replacement of APB Opinion No. 20 and FASB Statement No. 3." This statement requires retrospective application for voluntary changes in accounting principles and changes required by an accounting pronouncement that does not include specific transition provisions, unless it is impracticable to do so. Retrospective application results in the restatement of prior periods' financial statements to reflect the change in accounting principle. APB Opinion No. 20 previously required that the impact of most voluntary changes in accounting principles be recognized in the period of change as a cumulative effect of a change in accounting principle. The provisions of this statement are to be applied prospectively to accounting changes made in fiscal years beginning after December 15, 2005.

Stock-Based Compensation

The FASB issued a revised SFAS No. 123, "Share-Based Payment." This statement requires that all share-based payments to employees be recognized in the financial statements based on their grant-date fair value. Under previous guidance, companies had the option of recognizing the fair value of stock-based compensation in the financial statements or disclosing the proforma impact of stock-based compensation on the statement of operations in the notes to the financial statements. As described in Note 3, "Stock-Based Compensation," we adopted the fair value recognition provisions of SFAS No. 123 for all employee awards issued after January 1, 2003. The revised statement is effective at the beginning of the first annual period beginning after December 15, 2005, and provides two methods of adoption, the modified-prospective method and the modified-retrospective method. We anticipate adopting the revised statement using the modified-prospective method. We are currently evaluating the provisions of the revised statement but do not expect the impact of adoption to be significant.

Outlook

For the third quarter of 2005, net sales are expected to be approximately $3.9 billion, reflecting the addition of new business globally, offset by lower production on our key platforms. Net loss is expected to be in the range of $0.70 to $0.90 per share, including costs related to our restructuring actions of approximately $0.55 per share.

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 our key platforms. Our 2005 industry production planning assumptions are approximately 15.5 million units in North America and approximately 18.6 million units in Europe. Net income (loss) is expected to be in the range of ($0.25) to $0.15 per share, including costs related to our restructuring actions of approximately $1.35 per share, the litigation-

related and impairment charges of $0.65 per share in the second quarter of 2005 and the tax benefit of $0.25 per share in the first quarter of 2005. Full-year capital spending is forecasted to be approximately $550 million, reflecting additional capital spending for new program launches. For a description of factors that could impact actual operating results, see "— Forward-Looking Statements."

The third-quarter and full-year 2005 net income (loss) per share 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 our outstanding zero-coupon 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 outlook provided reflects the information, including anticipated production schedules, available as of the date of this Report. Uncertainty regarding the 2005 outlook remains, particularly with respect to vehicle platform mix and production volumes, as well as our ability to mitigate the impact of higher raw material costs. In addition, actual restructuring costs will be dependent on various factors, including the timing of certain actions, and could vary from current estimates. For a description of certain other factors that may cause our actual result to differ from those expressed in the foregoing 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, 2004.

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by us or on our behalf. The words "will," "may," "designed to," "outlook," "believes," "should," "anticipates," "plans," "expects," "intends," "estimates" and similar expressions identify these forward-looking statements. All statements contained or incorporated in this Report which address operating performance or events or developments that we expect or anticipate may occur in the future, including statements related to business opportunities, restructuring or repositioning actions or financial performance or statements expressing views about future operating results, are forward-looking statements. Important factors, risks and uncertainties that may cause actual results to differ from those expressed in our forward-looking statements include, but are not limited to:

- general economic conditions in the markets in which we operate;
- 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 outcome of customer productivity negotiations;
- the costs, timing and execution of program launches;
- the costs and timing of facility closures, business realignment or similar actions;
- increases in our warranty or product liability costs;
- risks associated with conducting business in foreign countries;
- competitive conditions impacting our key customers;
- raw material costs and availability;
- our 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 we are or may become a party;
- unanticipated changes in cash flow;
- the finalization of our restructuring plan;
- potential impairment or other charges related to the implementation of our business strategy or adverse industry conditions; and
- other risks described from time to time in our other SEC filings.

The forward-looking statements in this Report, including our financial outlook, are made as of the date hereof, and we do not assume any obligation to update, amend or clarify them to reflect events, new information or circumstances occurring after the date hereof.

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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 (the "Exchange Act")) 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 control over financial reporting that occurred during the fiscal quarter ended July 2, 2005, 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 and claims relating to commercial or contractual disputes, including disputes with our suppliers. Largely as a result of generally unfavorable industry conditions and financial distress within our supply base, we have experienced an increase in commercial and contractual disputes in 2005, particularly with suppliers. These disputes vary in nature and are usually resolved by negotiations between the parties. In a recent matter, however, a European seat trim supplier obtained a preliminary judgment (with no notice provided to us or our foreign subsidiary) awarding the supplier approximately $11 million in interest and penalties for allegedly late payments. Our foreign subsidiary is challenging the applicability of the statute under which the preliminary judgment was awarded, as well as related attachment proceedings.

On January 29, 2002, Seton Company ("Seton"), one of our leather suppliers, filed a suit alleging that we had breached a purported agreement to purchase leather from Seton for seats for the life of the General Motors GMT 800 program. Seton filed the lawsuit in the U.S. District Court for the Eastern District of Michigan seeking compensatory and exemplary damages totaling approximately $97 million plus interest on breach of contract and promissory estoppel claims. In May 2005, this case proceeded to trial, and the jury returned a $30 million verdict against us. The Court is considering motions regarding the amount of pre-judgment interest that will be awarded in addition to the verdict. We have filed post-trial motions challenging the verdict, and if these motions are unsuccessful, we intend to appeal the final judgment.

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 II suppliers against whom we have sought or will seek contribution. We carry insurance for certain legal matters, including product liability claims, but such coverage may be limited. We do not maintain insurance for recall 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 clean-up costs resulting from past spills, disposals 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 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, 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 additional 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 facility. In November 2004, two additional lawsuits were filed by 28 plaintiffs (individuals and organizations), alleging property damage as a result of the alleged contamination. Each of these complaints seeks compensatory and punitive damages.

Most of the original plaintiffs have filed motions to dismiss their claims for health effects and personal injury damages; therefore, approximately three-fourths of the plaintiffs should be voluntarily dismissed from these lawsuits. Upon the completion of these dismissals, we anticipate that there will be approximately 300 plaintiffs remaining in the lawsuits to proceed with property damage claims only. There is the potential that the dismissed plaintiffs could seek separate counsel to re-file their personal injury claims. In March 2005, the venue for these lawsuits was transferred from Lowndes County, Mississippi, to Lafayette County, Mississippi. In April 2005, certain plaintiffs filed an amended complaint alleging negligence, nuisance, intentional tort and conspiracy claims and seeking compensatory and punitive damages. In late April 2005, the court scheduled the first trial date for the initial plaintiffs to commence in March 2006. Discovery continued during the second quarter of 2005.

UTC, the former owner of UT Automotive, and Johnson Electric have each sought indemnification for losses associated with the Mississippi claims 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. However, the ultimate outcome of these matters is unknown.

Other Matters

In January 2004, the Securities and Exchange Commission (the “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’s inquiry does not relate to our consolidated financial statements. In February 2005, the staff of the SEC informed us that it proposed to recommend to the SEC that it issue an administrative “cease and desist” order as a result of our failure to disclose the related party transactions in question prior to the amendment of our 2001 Form 10-K. We expect to consent to the entry of the order as part of a settlement of this matter.

Prior to our acquisition of UT Automotive from UTC in May 1999, our subsidiary purchased the stock of a UT Automotive subsidiary. In connection with the acquisition, we agreed to indemnify UTC for certain tax consequences if the Internal Revenue Service (the “IRS”) overturned UTC’s tax treatment of the transaction. The IRS has proposed an adjustment to UTC’s tax treatment of the transaction seeking an increase in tax of approximately $88 million, excluding interest. A protest objecting to the proposed adjustment has been filed with the IRS. The case has now been referred to the Appeals Office of the IRS for an independent review. An indemnity payment by us to UTC for the ultimate amount due to the IRS would constitute an adjustment to the purchase price and resulting goodwill of the UT Automotive acquisition, if and when made, and would not be expected to have a material effect on our reported earnings. We believe that valid support exists for UTC’s tax positions and intend to vigorously contest the IRS’s proposed adjustment. However, the ultimate outcome of this matter is not certain.

On June 13, 2005, The Chamberlain Group (“Chamberlain”) filed a lawsuit against us and Ford Motor Company (“Ford”) in the Northern District of Illinois alleging patent infringement. Two counts are asserted against us and Ford based upon Chamberlain’s rolling code security system patent and a related product which operates transmitters to actuate garage door openers. Two additional counts are asserted against Ford only (not us) based upon different Chamberlain patents. The Chamberlain lawsuit was filed in connection with our marketing of our universal garage door opener system, which competes with a product offered by Johnson Controls Inc. (“JCI”). JCI obtained technology from Chamberlain to operate its product. On January 26, 2004, we filed a patent infringement lawsuit against JCI in the U.S. District Court for Eastern District of Michigan asserting that JCI’s garage door opener product infringed certain of our radio frequency transmitter patents. After we filed our patent infringement action against JCI, JCI sued one of our vendors in Ottawa Circuit Court, Michigan, on July 7, 2004, alleging misappropriation of trade secrets. In this action, JCI attempted to prevent the engineering firm from working with us. We intend to vigorously defend the Chamberlain action and pursue our patent infringement claims against JCI. While we do not believe that any of these lawsuits will have a material adverse impact on our business, consolidated financial position or results of operations, no assurances can be given in this regard.

LEAR CORPORATION

We are involved in certain other legal actions and claims arising in the ordinary course of business, including, without limitation, supplier disputes, intellectual property matters, personal injury claims, tax 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 Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Factors — We are involved from time to time in legal proceedings and commercial or contractual disputes, which could have an adverse impact on our profitability and consolidated financial position," in our Annual Report on Form 10-K for the year ended December 31, 2004.

ITEM 2 — UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

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, as disclosed in our Current Report on Form 8-K dated November 11, 2004. A summary of the shares of our common stock repurchased during the quarter ended July 2, 2005, 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
April 3, 2005 through April 30, 2005	—	N/A	—	4,509,100
May 1, 2005 through May 28, 2005	—	N/A	—	4,509,100
May 29, 2005 through July 2, 2005	—	N/A	—	4,509,100
Total	—	N/A	—	4,509,100

LEAR CORPORATION

ITEM 4 — SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) The Annual Meeting of Stockholders of Lear Corporation was held on May 5, 2005. At the meeting, the following matters were submitted to a vote of the stockholders of Lear Corporation. Pursuant to the rules of the New York Stock Exchange, there were no broker non-votes in matters (1) and (2) described below. An independent inspector of elections was engaged to tabulate shareholder votes.

(1) The election of four directors to hold office until the 2008 Annual Meeting of Stockholders. The vote with respect to each nominee was as follows:

Nominee	For	Withheld
Anne K. Bingaman	61,142,212	586,636
Conrad L. Mallet, Jr.	61,137,156	591,692
Robert E. Rossiter	60,424,898	1,303,950
James H. Vandenberghe	60,424,965	1,303,883

The terms of office of the following directors continued after the meeting: Messrs. Fry, Spalding, Stern and Wallace (whose terms expire at the annual meeting in 2006) and Messrs. McCurdy, Parrott and Wallman (whose terms expire at the annual meeting in 2007).

(2) The appointment of the firm of Ernst & Young as the Company's independent registered public accounting firm for the year ending December 31, 2005.

For	Against	Abstain
61,092,237	579,447	57,164

(3) The approval of the Lear Corporation Annual Incentive Compensation Plan.

For	Against	Abstain	Broker Non-Votes
52,141,006	4,390,461	96,137	5,101,244

ITEM 5 — OTHER INFORMATION

Amendment to Primary Credit Facility

On August 3, 2005, we entered into the First Amendment to the Credit Agreement dated as of March 23, 2005, among us, Lear Canada, the Borrowers named therein, the Lenders named therein, Bank of America, N.A., as syndication agent, Citibank, N.A., Deutsche Bank Securities Inc. and The Bank of Nova Scotia, as Documentation Agents, the Bank of Nova Scotia, as Canadian Administrative Agent, and JPMorgan Chase Bank, N.A., as General Administrative Agent (the "Amendment"). Among other things, the Amendment provides for (i) the modification of the leverage ratio covenant for the third quarter of 2005 through the first quarter of 2006, (ii) the consent of the lenders to permit us to enter into a new 18-month term loan facility with a principal amount of up to $400 million and (iii) the pledge of the capital stock of certain of our material subsidiaries to secure our obligations under the primary credit facility and the proposed 18-month term loan. We are seeking the new term loan facility to create additional excess liquidity in light of the payoff at maturity of our $600 million 7.96% senior notes in May 2005, our reduced operating cash flows and cash charges associated with our restructuring actions.

As amended by the Amendment, the primary credit facility now requires that we maintain a leverage ratio of not more than 3.75 to 1 as of October 1, 2005 and December 31, 2005, 3.50 to 1 as of April 1, 2006 and 3.25 to 1 as of the end of each quarter thereafter (as such ratio is defined in the primary credit facility.)

The foregoing summary of the Amendment is qualified in its entirety to the terms of the Amendment, filed as Exhibit 10.3 to this Report and incorporated herein by reference.

Indemnity Agreements

On August 3, 2005, we entered into an Indemnity Agreement (the "Indemnity Agreement") with each of our directors. Our Amended and Restated Certificate of Incorporation and Bylaws require that we indemnify our directors to the fullest extent permitted under the General Corporation Law of the State of Delaware, and our Bylaws also require that we reimburse such directors' expenses in certain proceedings, in each case if he or she has met the applicable standard of conduct. In general, the Indemnity Agreements provide that we shall indemnify, to the fullest extent permitted by law, each director against all expenses (including reasonable attorney's fees), judgments, fines, liabilities and amounts paid in settlement incurred by the director in connection with legal proceedings arising from his or her service as a director.

The Indemnity Agreements also require that we advance expenses to the directors to the fullest extent permitted by law. The Indemnity Agreements set forth procedures for the advancement of expenses and for determining a director's entitlement to indemnification. The Indemnity Agreements also set forth procedures for a director to enforce his or her rights to indemnification and his or her rights to a determination of entitlement to indemnification.

The foregoing summary of the Indemnity Agreement is qualified in its entirety to the terms of the Indemnity Agreement, a form of which is filed as Exhibit 10.4 to this Report and incorporated herein by reference.

Rule 10b5-1 Trading Plans

On August 5, 2005, each of Robert E. Rossiter, our Chairman and Chief Executive Officer, and James H. Vandenberghe, our Vice Chairman, entered into a pre-arranged trading plan (each, a "Plan") pursuant to Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. The Plans are consistent with our policies regarding stock transactions, including our management stock ownership requirements. Under the Plans, Messrs. Rossiter and Vandenberghe may (a) sell shares issued to them upon vesting in 2006 and 2007 of certain restricted stock unit grants and (b) sell shares issued to them under Lear's Management Stock Purchase Plan based on deferrals made in 2003 and 2004. Such sales will be at pre-determined dates and prices (or based on a formula for pre-determining the dates and prices.) Each Plan will expire on its third anniversary. During the term of the Plans, Messrs. Rossiter and Vandenberghe may sell up to an aggregate of 108,772 and 44,076 shares, respectively.

The transactions under the Plans will be disclosed publicly through Form 144 and Form 4 filings with the Securities and Exchange Commission. Rule 10b5-1 permits individuals who are not in possession of material, non-public information at the time they adopt the plan to establish pre-arranged plans to buy or sell company stock. Using these plans, individuals can prudently and gradually diversify their investment portfolios over an extended period of time.

ITEM 6 — EXHIBITS

The exhibits listed on the "Index to Exhibits" on page 50 are filed with this Form 10-Q or incorporated by reference as set forth below.

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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: August 5, 2005

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/ James L. Murawski
James L. Murawski
Vice President and Corporate Controller

LEAR CORPORATION

INDEX TO EXHIBITS

Exhibit Number	
** 10.1	Lear Corporation Executive Supplemental Savings Plan, as amended and restated (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated May 4, 2005).
10.2	Waiver and Consent Agreement dated May 17, 2005, among Lear Corporation, Visteon Corporation and Donald J. Stebbins (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated May 17, 2005).
* 10.3	First Amendment dated August 3, 2005, to the Credit Agreement dated as of March 23, 2005, among Lear Corporation, Lear Canada, the Borrowers named therein, the Lenders named therein, Bank of America, N.A., as syndication agent, Citibank, N.A., Deutsche Bank Securities Inc. and The Bank of Nova Scotia, as Documentation Agents, the Bank of Nova Scotia, as Canadian Administrative Agent and JPMorgan Chase Bank, N.A., as General Administrative Agent.
* 10.4	Form of Indemnity Agreement between Lear Corporation and each of its directors.
* 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.

** Compensatory plan or arrangement.

EXHIBIT 10.3

FIRST AMENDMENT

FIRST AMENDMENT, dated as of August 3, 2005 (this "Amendment"), to the Credit Agreement, dated as of March 23, 2005 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among LEAR CORPORATION, a Delaware corporation (the "U.S. Borrower"), LEAR CANADA, a general partnership organized under the laws of Ontario, Canada (the "Canadian Borrower"), each foreign subsidiary borrower from time to time party thereto (together with the U.S. Borrower and the Canadian Borrower, the "Borrowers"), the senior managing agents, managing agents and co-agents party thereto, the several banks and other financial institutions from time to time parties hereto (the "Lenders"), BANK OF AMERICA, N.A., as syndication agent (the "Syndication Agent"), CITIBANK, N.A., DEUTSCHE BANK SECURITIES INC. and THE BANK OF NOVA SCOTIA, a Canadian chartered bank, as documentation agents (in such capacity, the "Documentation Agents"), THE BANK OF NOVA SCOTIA, a Canadian chartered bank, as Canadian administrative agent for the Lenders hereunder (in such capacity, the "Canadian Administrative Agent"), and JPMORGAN CHASE BANK, N.A. (the "General Administrative Agent"), as general administrative agent for the Lenders hereunder.

WITNESSETH:

WHEREAS, pursuant to the Credit Agreement, the Lenders have agreed to make, and have made, certain loans and other extensions of credit to the Borrowers;

WHEREAS, the Borrowers have requested, and, upon this Amendment becoming effective, the Lenders have agreed, that certain provisions of the Credit Agreement be amended as set forth below;

NOW, THEREFORE, the parties hereto hereby agree as follows:

SECTION 1. Defined Terms. Terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

SECTION 2. Amendment to Subsection 1.1 [Defined Terms]. (a) Subsection 1.1 of the Credit Agreement is hereby amended by inserting the following new definitions in appropriate alphabetical order:

"European Holdco": Lear European Holding S.L., a Spanish limited company.

"Excluded Subsidiary": each Subsidiary of a Foreign Subsidiary.

"Initial Pledged Stock": the shares of Capital Stock listed on Schedule VII.

"Investment Grade Status": shall exist at any time when the actual or implied rating of the U.S. Borrower's senior long-term unsecured debt is at or above BBB- from S&P and at or above Baa3 from Moody's (in each case with a stable outlook or better); if either of S&P or Moody's shall change its system of classifications after August 3, 2005, Investment Grade Status shall exist at any time when the actual or implied rating of the U.S. Borrower's senior long-term unsecured debt is at or above the new rating which most closely corresponds to the above-specified level under the previous rating system (with a stable outlook or better where applicable).

"Lear Germany": Lear Corporation Beteiligungs GmbH, a German corporation.

"Pledge Agreements": the collective reference to the U.S. Pledge Agreement and any other pledge agreements which secure the Obligations.

"Security Documents": the collective reference to the Pledge Agreements, the Subsidiary Guarantee and each other guarantee, security document or similar agreement that may be delivered to the General Administrative Agent to guarantee or as collateral security for any or all of the Obligations, in each case as amended, supplemented or otherwise modified from time to time.

"U.S. Pledge Agreement": the Pledge Agreement to be executed and delivered by the U.S. Borrower and certain of its subsidiaries in favor of JPMorgan Chase Bank, N.A., as agent, in form and substance reasonably satisfactory to the General Administrative Agent, as the same may be amended, supplemented or otherwise modified from time to time.

"Super-Majority Lenders": (a) at any time prior to the termination of the Revolving Credit Commitments, U.S. Lenders whose U.S. Revolving Credit Commitment Percentages aggregate 80% or more; and (b) at any time after the termination of the Revolving Credit Commitments, Lenders whose Aggregate Total Outstandings aggregate 80% or more of the Aggregate Total Outstandings of all Lenders; provided that for purposes of this definition, the Aggregate Total Outstandings of each Lender shall be adjusted up or down so as to give effect to any participations purchased or sold pursuant to subsection 17.8.

"Term Loan Facility": a term loan facility entered into either (i) as a separate tranche under this Agreement through an amendment and restatement to this Agreement or (ii) as a separate credit agreement to the extent not prohibited under the Credit Agreement, in either case with an aggregate principal amount not to exceed $400,000,000 and with an expected maturity of eighteen months.

(b) Subsection 1.1 of the Credit Agreement is hereby further amended by deleting the following defined terms in their entirety and substituting in lieu thereof the following definitions:

"Loan Documents": the collective reference to this Agreement, any Notes, the Drafts, the Acceptances, the Acceptance Notes and the Security Documents.

"Loan Parties": the collective reference to the Borrowers and each guarantor or grantor party to any Security Document.

(c) The definition of "Specified Indebtedness" is hereby amended by (i) deleting the term "and" set forth at the end of clause (c) thereof, and (ii) inserting the following language at the end thereof: "and (e) without duplication, Indebtedness incurred under the Term Loan Facility and any guarantees thereof".

(d) The definition of "Specified Liens" is hereby amended by (i) deleting clauses (m) and (n) thereof in their entirety, (ii) creating a new clause (m) therein to read as follows: "(m) Liens granted pursuant to the Security Documents and any pari passu Liens securing the Term Loan Facility, and", (iii) renaming clause (o) therein as clause (n), and (iii) changing the words "in clauses (a) through (n) above" set forth at the end thereof to "in clauses (a) through (m) above)".

(e) Clarification With Respect to "Consolidated Operating Profit" Definition. It is hereby understood and agreed that (i) restructuring, restructuring-related or other similar charges incurred by the U.S. Borrower and its Subsidiaries in an amount not to exceed $250,000,000 incurred in connection with the U.S. Borrower's restructuring announced on June 27, 2005 and (ii) charges incurred by the U.S. Borrower and its Subsidiaries in connection with (x) the lawsuit by Seton Company (for which a jury verdict was reached on May 25, 2005) in an amount not to exceed $22,000,000 and (y) a lawsuit by one of the U.S. Borrower's European suppliers in an amount not to exceed $8,000,000, shall in each case be deemed to be non-recurring losses for purposes of calculating Consolidated Operating Profit; provided, that with respect to the charges referred to in clause (ii) above, if at any later date all or a portion of such charges are reversed, Consolidated Operating Profit shall be reduced by the amount by which such charges are reversed in the fiscal quarter in which such charges are reversed.

SECTION 3. Amendment to Subsection 10.5 [No Legal Bar]. Subsection 10.5 of the Credit Agreement is hereby amended by (i) deleting the term "and" set forth at the end of clause (b) thereof and substituting in lieu there of a comma, and (ii) inserting the following language at the end thereof:

> and (d) will not result in, or require, the creation or imposition of any Lien (other than the Liens created by the Security Documents) on any of its or their respective properties or revenues pursuant to any Requirement of Law or Contractual Obligation

SECTION 4. Amendment to Section 12 [Affirmative Covenants]. Subsection 12.7 of the Credit Agreement is hereby amended by deleting such Subsection in its entirety and substituting in lieu thereof the following Subsection:

> 12.7 Stock Pledges; Guarantor Supplement. (a) (i) Cause the Initial Pledged Stock to be pledged to the General Administrative Agent, in its capacity as Agent pursuant to one or more Pledge Agreements, on or before September 30, 2005; (ii) if any Person that executes a Pledge Agreement as a "Pledgor" is not a Subsidiary Guarantor, cause such Person to execute and deliver to the General Administrative Agent an executed Guarantor Supplement on or prior to the date of execution of such Pledge Agreement, and (iii) cause the General Administrative Agent, in its capacity as Agent pursuant to the relevant Pledge Agreement, to receive, on or before the date of execution of such Pledge Agreement, legal opinions of counsel to the U.S. Borrower reasonably acceptable to the General Administrative Agent covering such matters in respect of such pledges and Guarantor Supplements as the General Administrative Agent shall reasonably request.
>
> (b) As soon as possible and in no event later than 45 days after the delivery of any financial statements under subsection 12.1(a) or (b), for any fiscal period ending on or after October 1, 2005, cause (i) all of the Capital Stock owned directly or indirectly by the U.S. Borrower of each of the U.S. Borrower's direct or indirect Domestic Subsidiaries (other than any Excluded Subsidiary) which on the date of such financial statements constituted at least 5% of Consolidated Assets or for the twelve month period ended on the date of such financial statements represented at least 5% of Consolidated Revenues to be pledged to the General Administrative Agent, in its capacity as Agent pursuant to the U.S. Pledge Agreement, pursuant to an assumption agreement in the form of Annex 1 to the U.S. Pledge Agreement, (ii) 65% of the voting Capital Stock and all non-voting Capital Stock (or such lesser amount as may be owned by the U.S. Borrower and its Domestic Subsidiaries) of each of the U.S. Borrower's or any of its Domestic Subsidiaries' direct Foreign Subsidiaries which on the date of such financial statements constituted at least 5% of Consolidated Assets or for the twelve month period ended on the date of such financial statements represented at least 5% of Consolidated Revenues to be pledged to the General Administrative Agent, in its capacity as Agent pursuant to the U.S. Pledge

Agreement, for the ratable benefit of the Lenders hereunder, pursuant to an assumption agreement in the form of Annex 1 to the U.S. Pledge Agreement, and (iii) the General Administrative Agent, in its capacity as Agent pursuant to the U.S. Pledge Agreement, to receive legal opinions of counsel to the U.S. Borrower acceptable to the General Administrative Agent covering such matters in respect of such pledges as the General Administrative Agent shall reasonably request; provided, that notwithstanding anything to the contrary contained in this subsection 12.7(b), in no event shall the U.S. Borrower or any of its direct or indirect Domestic Subsidiaries be required to pledge Capital Stock of any Subsidiary that is not a corporation if the U.S. Borrower reasonably believes that such stock pledge would violate the terms of any indenture governing public debt of the U.S. Borrower.

(c) As soon as possible and in no event later than 45 days after the delivery of any financial statements under subsection 12.1(a) or (b) for any fiscal period ending on or after October 1, 2005, cause (i) each of the U.S. Borrower's direct and indirect Domestic Subsidiaries (other than any Excluded Subsidiary) which on the date of such financial statements represented at least 5% of Consolidated Assets or for the twelve month period ended on the date of such financial statements represented at least 5% of Consolidated Revenues to execute and deliver a Guarantor Supplement to the General Administrative Agent, and (ii) the General Administrative Agent to receive opinions of counsel to the U.S. Borrower, in form and substance reasonably satisfactory to the General Administrative Agent, covering such matters in respect of the Subsidiary Guarantee as the General Administrative Agent shall reasonably request; provided, that, notwithstanding the foregoing, a Domestic Subsidiary shall not be required to execute and deliver a Guarantor Supplement or otherwise become a party to the Subsidiary Guarantee if (x) it is a holding company whose only material asset consists of Capital Stock of one or more Foreign Subsidiaries and (y) the Capital Stock of such Domestic Subsidiary is pledged to the General Administrative Agent, in its capacity as Agent pursuant to the U.S. Pledge Agreement and; provided further, that any Subsidiary of the U.S. Borrower (whether or not such Subsidiary satisfies the criteria set forth in clause (i) above in this paragraph (c)) which has guaranteed any Public Indebtedness of the U.S. Borrower or any of its Subsidiaries shall be required in any event to execute and deliver a Guarantor Supplement or otherwise become a party to the Subsidiary Guarantee concurrently with entering into any such guarantee of Public Indebtedness.

(d) Notwithstanding anything set forth herein to the contrary, if (i) any Capital Stock of Lear Germany is ever pledged pursuant to subsection 12.7(b) above and (ii) thereafter, Lear Germany becomes a direct or indirect Subsidiary of European Holdco, cause within ten (10) Business Days after the date on which Lear Germany becomes a direct or indirect Subsidiary of European Holdco, (i) 65% of the voting Capital Stock and all non-voting Capital Stock (or such lesser amount as may be owned by the U.S. Borrower and its Domestic Subsidiaries) of European Holdco to be pledged to the General Administrative Agent, in its capacity as Agent pursuant to the U.S. Pledge Agreement and (ii) the General Administrative Agent, in its capacity as Agent pursuant to the U.S. Pledge Agreement, to receive legal opinions of counsel to the U.S. Borrower acceptable to the General Administrative Agent covering such matters in respect of such pledge as the General Administrative Agent shall reasonably request.

(e) In determining whether any Domestic Subsidiary or Foreign Subsidiary meets the 5% thresholds set forth in subsection 12.7(b) and 12.7(c) above, it is understood and agreed that such determination shall be computed by using the equity method of accounting.

SECTION 5. Amendment to Subsection 13.1 [Financial Covenants]. Subsection 13.1 of the Credit Agreement is hereby amended by deleting Subsection 13.1(b) in its entirety and substituting in lieu thereof the following:

(b) Leverage Ratio. Permit the Leverage Ratio at the last day of any period of four consecutive fiscal quarters of the U.S. Borrower to be greater than (a) for the four consecutive fiscal quarters of the U.S. Borrower ended July 2, 2005, 3.25:1, (b) for the four consecutive fiscal quarters ended October 1, 2005 and December 31, 2005, 3.75:1, (c) for the four consecutive fiscal quarters ended April 1, 2006, 3.50:1 and (d) for the each period of four consecutive fiscal quarters ending thereafter, 3.25:1.

SECTION 6. Amendment to Subsection 13.3 [Limitation on Subsidiary and Secured Indebtedness]. Subsection 13.3 of the Credit Agreement is hereby amended by deleting such subsection in its entirety and substituting in lieu thereof the following:

13.3 Limitation on Subsidiary and Secured Indebtedness. (a) Create, incur, assume or suffer to exist Subsidiary and Secured Indebtedness in an aggregate principal amount at any time outstanding exceeding 15% of Consolidated Assets at such time; provided, that the aggregate outstanding principal amount of Subsidiary and Secured Indebtedness incurred at any time by Lear Midwest Automotive, Limited Partnership, Lear Trim L.P. and the Canadian Borrower shall not exceed 5% of Consolidated Assets at any time.

(b) Create, incur, assume or suffer to exist any Indebtedness that constitutes Subsidiary and Secured Indebtedness and that is secured by any Lien on any property, assets or receivables of the U.S. Borrower or any of its Subsidiaries (other than Specified Liens) in an aggregate principal amount at any time exceeding 5% of Consolidated Assets at such time.

SECTION 7. Amendment to Section 15 [Events of Default]. Section 15 of the Credit Agreement is hereby amended by deleting subsection (f) thereof in its entirety and substituting in lieu thereof the following:

(f) This Agreement, any of the Security Documents or any Note shall cease, for any reason, to be in full force and effect, or the U.S. Borrower or any other Loan Party shall so assert, or any security interest created by any of the Security Documents shall cease to be enforceable and of the same effect and priority purported to be created thereby, except, in each case, as provided in subsection 17.17; or

SECTION 8. Amendment to Subsection 17.17 [Release of Guarantees]. Subsection 17.17 of the Credit Agreement is hereby amended by deleting such Subsection in its entirety and substituting in lieu thereof the following:

17.17 Release of Collateral and Guarantees. (a) The Lenders hereby agree with the U.S. Borrower, and hereby instruct the General Administrative Agent, that if (i) the U.S. Borrower attains Investment Grade Status, (ii) the General Administrative Agent has no actual knowledge of the existence of a Default and (iii) the U.S. Borrower shall have delivered a certificate of a Responsible Officer stating that such Responsible Officer has obtained no knowledge of any Default or Event of Default, (x) the General Administrative Agent shall, at the request and expense of the U.S. Borrower, take such actions as shall be reasonably requested by the U.S. Borrower to release its security interest in all collateral held by it pursuant to the Security Documents and (y) on and after such time, the written consent of the Super-Majority Lenders shall be required to release all or substantially all of the guarantees contained in Section 14 and under the Subsidiary Guarantee, in which case the General Administrative Agent shall, at the request and expense of the U.S. Borrower, take such actions as shall be reasonably requested by the U.S. Borrower to release the relevant Loan Parties from their obligations under the Subsidiary

Guarantee. In either such event, the applicable provisions of subsection 12.7 shall be deemed terminated and of no further force or effect.

(b) The Lenders hereby agree with the U.S. Borrower, and hereby instruct the General Administrative Agent, that if one or more Loan Parties (or any Subsidiary of a Loan Party whose Capital Stock is pledged pursuant to any Pledge Agreement) are permitted to be released from their obligations under any of the Security Documents pursuant to an amendment to this Agreement approved in accordance with subsection 17.1, the General Administrative Agent shall, at the request and expense of the U.S. Borrower, take such actions as shall be reasonably requested by the U.S. Borrower to release its security interest in the relevant collateral held by it pursuant to the Security Documents and/or to release such Loan Parties from their obligations under the Subsidiary Guarantee. In such event, the provisions of subsection 12.7 with respect to such Loan Parties shall be deemed terminated and of no further force or effect. For the avoidance of doubt, if at any time Lear Corporation Mexico, S.A. de C.V. or Lear Automotive (EEDS) Spain S.L. is released from its obligations under the Subsidiary Guarantee but shall still have its Capital Stock pledged pursuant to the relevant Pledge Agreement, the Lenders authorize the General Administrative Agent, at the request and expense of the U.S. Borrower, to take such actions as shall be reasonably requested by the U.S. Borrower to release Capital Stock of any such Foreign Subsidiary to the extent necessary to ensure that no Capital Stock of any such Foreign Subsidiary is pledged under the relevant Pledge Agreement. Furthermore, it is hereby understood and agreed that if any time (i) any of Lear Germany's Capital Stock has been pledged pursuant to any Pledge Agreement pursuant to subsection 12.7(b) and (ii) thereafter, Lear Germany becomes a direct or indirect Subsidiary of European Holdco, then the Capital Stock of Lear Germany shall be deemed to be automatically released from such Pledge Agreement, and the Lenders authorize the General Administrative Agent, at the request and expense of the U.S. Borrower, to take such actions as shall be reasonably requested by the U.S. Borrower to release the Capital Stock of Lear Germany from such Pledge Agreement.

(c) The Lenders hereby agree with the U.S. Borrower, and hereby instruct the General Administrative Agent, that if the U.S. Borrower shall have delivered to the General Administrative Agent written notice that it proposes to sell or otherwise dispose of any Subsidiary whose stock is pledged pursuant to a Pledge Agreement or which is a Subsidiary Guarantor, and such disposition is permitted by this Agreement, the General Administrative Agent shall, at the request and expense of the U.S. Borrower, take such actions as shall be reasonably requested by the U.S. Borrower to release its security interest in the stock being sold of such Subsidiary and to release such Subsidiary Guarantor from its obligations under the Subsidiary Guarantee; provided, that such Subsidiary shall have been, or shall simultaneously be, released from all Bond Guarantees and all guarantees by any Subsidiary of Public Indebtedness.

(d) In connection with any release of guarantees in accordance with this subsection 17.17, upon the request of the U.S. Borrower, the General Administrative Agent shall take whatever reasonable steps are necessary to coordinate the simultaneous release of the guarantees hereunder with the Bond Guarantees.

SECTION 9. Acknowledgment. Each of the Lenders consenting to this Amendment acknowledges that the U.S. Borrower intends to enter into a term loan facility either (i) as a separate tranche under the Credit Agreement through an amendment and restatement to the Credit Agreement or (ii) as a separate credit facility to the extent not prohibited under the Credit Agreement, in either case with an expected aggregate principal amount ranging from $300,000,000 to $400,000,000 and with an expected maturity of eighteen months (the "Term Loan Facility"). Each such Lender consents to the Term Loan Facility, the amendment and restatement of the Credit Agreement to incorporate the Term

Loan Facility (in the event that the Term Loan Facility is made available pursuant to the Credit Agreement) and the guarantees by the Subsidiary Guarantors of, and granting of liens on stock pledges under, the Term Loan Facility (which shall be pari passu with the stock pledges securing the Credit Agreement), and each Lender authorizes (in the event that the Term Loan Facility is entered into separately from the Credit Agreement) the General Administrative Agent to enter into an intercreditor agreement with the agent under such Term Loan Facility on market terms as long as, in all cases (i) the aggregate principal amount of the Term Loan Facility does not exceed $400,000,000, (ii) the Term Loan Facility is not subject to any mandatory prepayments (other than scheduled payments and payments arising as a result of an acceleration of the loans thereunder) and (iii) the terms of the Term Loan Facility will be substantially those set forth in the Credit Agreement or market terms as are reasonably determined by the Borrower to be necessary to obtain the Term Loan Facility.

SECTION 10. Schedules to the Credit Agreement. The parties hereto hereby agree that Schedule VII attached hereto shall be deemed to be Schedule VII to the Credit Agreement.

SECTION 11. Conditions to Effectiveness of Amendment. The amendments set forth herein shall be effective on the date on which all of the following conditions precedent have been satisfied or waived:

(i) the General Administrative Agent (or its counsel) shall have received a counterpart of this Amendment, executed and delivered by a duly authorized officer of each of (A) the Borrowers, (B) the Subsidiary Guarantors and (C) the Required Lenders;

(ii) the General Administrative Agent shall have received, for the account of each Lender executing this Amendment on or before August 3, 2005, a work fee in an amount equal to 0.20% of such Lender's U.S. Revolving Credit Commitment then in effect;

(iii) the U.S. Borrower shall have paid all fees and expenses of the General Administrative Agent, including the reasonable fees and expenses of counsel to the General Administrative Agent;

(iv) the U.S. Borrower shall have paid all fees due and owing to any of the Lenders (or any of their Affiliates) as may have been agreed in writing; and

(v) after giving effect to the Amendment, no Default or Event of Default shall have occurred and be continuing.

SECTION 12. Representations and Warranties. Each of the representations and warranties made by each of the Loan Parties in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of the date hereof as if made as of the date hereof, except for representations and warranties expressly stated to relate to a specific earlier date, in which case such representations and warranties were true and correct in all material respects as of such earlier date; provided, that each reference to the Credit Agreement therein shall be deemed to be a reference to the Credit Agreement after giving effect to this Amendment.

SECTION 13. Effect on the Loan Documents. (a) Except as specifically amended above, the Credit Agreement and all other Loan Documents shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(b) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of any Lender or the General Administrative Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

SECTION 14. Expenses. The U.S. Borrower agrees to pay or reimburse the General Administrative Agent for all of its out-of-pocket costs and reasonable expenses incurred in connection with this Amendment, any other documents prepared in connection herewith and the transaction contemplated hereby, including, without limitation, the reasonable fees and disbursements of counsel to the General Administrative Agent.

SECTION 15. Affirmation of Subsidiary Guarantee and Credit Agreement. The Subsidiary Guarantors hereby consent to this Amendment and hereby confirm, reaffirm and restate that their obligations under or in respect of the Subsidiary Guarantee and the documents related thereto to which they are a party are and shall remain in full force and effect after giving effect to the foregoing Amendment.

SECTION 16. GOVERNING LAW. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HERETO SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 17. Severability. Any provision of this Amendment that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 18. Execution in Counterparts. This Amendment may be executed by one or more of the parties to this Amendment on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective proper and duly authorized officers as of the day and year first above written.

LEAR CORPORATION

By: /s/ Shari L. Burgess

Name: Shari L. Burgess
Title: Vice President and Treasurer

LEAR CANADA

By: /s/ Bill Mansfield

Name: Bill Mansfield
Title: Plant Manager

LEAR CORPORATION SWEDEN AB

By: /s/ Paul R. Jefferson

Name: Paul R. Jefferson
Title: Chief Executive Officer

LEAR FINANCIAL SERVICES (NETHERLANDS) B.V.

By: /s/ Paul R. Jefferson

Name: Paul R. Jefferson
Title: Director

Signature Page to Lear First Amendment

JPMORGAN CHASE BANK, N.A., as General Administrative Agent and a Lender

By: /s/ Richard W. Duker

Name: Richard W. Duker
Title: Managing Director

BANK OF AMERICA, N.A., as Syndication Agent and as a Lender

By: /s/ Chas McDonell

Name: Chas McDonell
Title: Senior Vice President

CITIBANK, N.A., as Documentation Agent and as a Lender

By: /s/ Brian Ike

Name: Brian Ike
Title: Director

DEUTSCHE BANK AG NEW YORK BRANCH, as Documentation Agent

By: /s/ David J. Bell

Name: David J. Bell
Title: Managing Director

By: /s/ Carin M. Keegan

Name: Carin M. Keegan
Title: Vice President

THE BANK OF NOVA SCOTIA, as Canadian Administrative Agent and as a Lender

By: /s/ M. D. Smith

Name: M.D. Smith
Title: Agent Operations

ABN AMRO Bank, N.V.
(Name of Lender)

By: /s/ Pradeep Bhatia

Name: Pradeep Bhatia
Title: Vice President

By: /s/ Ignacio Pineros

Name: Ignacio Pineros
Title: Vice President

Bank of China, New York Branch
(Name of Lender)

By: /s/ Xiaojing Li

Name: Xiaojing Li
Title: Deputy General Manager

Signature Page to Lear First Amendment

THE BANK OF NEW YORK
(Name of Lender)

By: /s/ Kevin Higgins

Name: Kevin Higgins
Title: Vice President

Bank of Tokyo-Mitsubishi Trust Company
(Name of Lender)

By: /s/ Linda Tam

Name: Linda Tam
Title: Vice President

BAYERISCHE HYPO-UND VEREINSBANK AG,
NEW YORK BRANCH
(Name of Lender)

By: /s/ Yoram Dankner

Name: Yoram Dankner
Title: Managing Director

By: /s/ Kimberly Sousa

Name: Kimberly Sousa
Title: Director

BNP Paribas
(Name of Lender)

By: /s/ Tim King

Name: Tim King
Title: Managing Director

By: /s/ Gaye Plunkett

Name: Gaye Plunkett
Title: Vice President

Calyon New York Branch
(Name of Lender)

By: /s/ Lee E. Greve

Name: Lee E. Greve
Title: Managing Director

By: /s/ Julie T. Kanak

Name: Julie T. Kanak
Title: Director

Citibank, N.A., Canadian branch
(Name of Lender)

By: /s/ Niyousha Zarinpour

Name: Niyousha Zarinpour
Title: Authorized Signer

Comerica Bank
(Name of Lender)

By: /s/ Steven J. McCormack

Name: Steven J. McCormack
Title: Vice President

CREDIT SUISSE, Cayman Islands Branch
(Formerly known as CREDIT SUISSE
FIRST BOSTON, acting through its
Cayman Islands Branch)
(Name of Lender)

By: /s/ Jay Chall

Name: Jay Chall
Title: Director

By: /s/ Mikhail Faybusovich

Name: Mikhail Faybusovich
Title: Associate

Fifth Third Bank
(Name of Lender)

By: /s/ Michael Blackburn

Name: Michael Blackburn
Title: Vice President

HSBC Bank USA, N.A.
(Name of Lender)

By: /s/ Christopher M. Samms

Name: Christopher M. Samms
Title: Officer #9426, SVP

JPMORGAN CHASE BANK, N.A.,
TORONTO BRANCH
(Name of Lender)

By: /s/ Drew McDonald

Name: Drew McDonald
Title: Vice President

MERRILL LYNCH BANK USA
(Name of Lender)

By: /s/ Louis Alder

Name: Louis Alder
Title: Director

Mizuho Corp. Bank, Ltd.
(Name of Lender)

By: /s/ Robert Gallagher

Name: Robert Gallagher
Title: SVP and team leader

THE NORTHERN TRUST COMPANY
(Name of Lender)

By: /s/ Ashish S. Bhagwat

Name: Ashish S. Bhagwat
Title: Vice President

The Royal Bank of Scotland plc
(Name of Lender)

By: /s/ Maria Amaral-LeBlanc

Name: Maria Amaral-LeBlanc
Title: Senior Vice President

Skandinaviska Enskilda Banken AB (publ)
(Name of Lender)

By: /s/ David Lockie

Name: David Lockie
Title: Authorised Signatory

By: /s/ Martin Lindeberg

Name: Martin Lindeberg
Title: Authorised Signatory

Sumitomo Mitsui Banking Corporation
(Name of Lender)

By: /s/ David A. Buck

Name: David A. Buck
Title: Senior Vice President

Sun Trust Bank
(Name of Lender)

By: /s/ Brian Davis

Name: Brian Davis
Title: Director

UBS Loan Finance LLC
(Name of Lender)

By: /s/ Richard L. Tavrow

Name: Richard L. Tavrow
Title: Director

By: /s/ Joselin Fernandes

Name: Joselin Fernandes
Title: Associate Director

ACKNOWLEDGEMENT AND CONSENT

Each of the undersigned Subsidiary Guarantors hereby acknowledges and consents to the foregoing Amendment.

LEAR OPERATIONS CORPORATION

By: /s/ Shari L. Burgess

Title: Authorized Signatory

LEAR SEATING HOLDINGS CORP. #50

By: /s/ William P. McLaughlin

Title: Authorized Signatory

LEAR CORPORATION EEDS AND INTERIORS

By: /s/ Shari L. Burgess

Title: Authorized Signatory

LEAR TECHNOLOGIES, LLC

By: /s/ Shari L. Burgess

Title: Authorized Signatory

LEAR MIDWEST AUTOMOTIVE, LIMITED PARTNERSHIP

By: /s/ Shari L. Burgess

Title: Authorized Signatory

LEAR AUTOMOTIVE (EEDS) SPAIN S.L.

By: /s/ Paul R. Jefferson

Title: Authorized Signatory

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

By: /s/ Jim Brackenbury

Title: Authorized Signatory

SCHEDULE VII

INITIAL PLEDGED STOCK

Issuer	Pct. of Shares	Shareholder
Lear Operations Corporation	100%	Lear Corporation
Lear Seating Holdings Corp. #50	100%	Lear Corporation
Lear Corporation EEDS and Interiors	100%	Lear Operations Corporation
Lear Corporation Canada Ltd.	65%	Lear Corporation
Lear Automotive (EEDS) Spain S.L.	100%	Lear Corporation Holdings Spain S.L.
Lear Corporation Mexico, S.A. de C.V.	100%	Lear Holdings S.r.l. de C.V.

EXHIBIT 10.4

INDEMNITY AGREEMENT

This Indemnity Agreement (this "AGREEMENT") is made as of August 3, 2005 by and between LEAR CORPORATION, a Delaware corporation (the "COMPANY"), and [_____________] ("INDEMNITEE").

RECITALS

WHEREAS, the Company's Amended and Restated Certificate of Incorporation (the "CHARTER") requires indemnification of the Company's directors and permits indemnification of the Company's officers to the fullest extent permitted by law; the Company's Bylaws (the "BYLAWS") require indemnification of the Company's officers and directors if such officers and/or directors, as the case may be, meet the applicable standard of conduct under the circumstances; and Indemnitee may also be entitled to indemnification pursuant to the Delaware General Corporation Law (the "DGCL").

WHEREAS, the Charter, Bylaws and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the Board of Directors of the Company (the "BOARD") and officers of the Company with respect to indemnification, hold harmless, exoneration, advancement of expenses and reimbursement rights.

WHEREAS, the statutes and judicial decisions regarding the duties of directors and officers are often difficult to apply, ambiguous, or conflicting, and therefore fail to provide such directors and officers with adequate, reliable knowledge of legal risks to which they are exposed or information regarding the proper course of action to take.

WHEREAS, directors and officers of companies and other business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the Company or business enterprise itself.

WHEREAS, plaintiffs often seek damages in such large amounts and the costs of litigation may be so great (whether or not the case is meritorious), that the defense and/or settlement of such litigation is usually beyond the personal resources of directors and officers.

WHEREAS, the uncertainties relating to insurance and to indemnification have increased the difficulty of attracting and retaining such persons.

WHEREAS, the Board has determined that the increased difficulty in attracting and retaining such persons is detrimental to the best interests of the Company and its stockholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future.

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, hold harmless, exonerate and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve

or continue to serve the Company free from undue concern that they will not be so protected against such liabilities.

WHEREAS, this Agreement is a supplement to, and in furtherance of, the Charter and Bylaws (and any resolutions adopted pursuant thereto) and any insurance purchased by the Company with respect to the matters set forth in this Agreement, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

WHEREAS, Indemnitee may not be willing to serve as an officer or director without adequate protection, and the Company desires Indemnitee to serve in such capacity. Indemnitee is willing to serve, continue to serve and to take on additional service for or on behalf of the Company on the condition that he or she be so indemnified by the Company.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

1. Services to the Company. Indemnitee will serve or continue to serve, at the will of the Company, as an officer or director of the Company for so long as Indemnitee is duly elected or appointed or until Indemnitee tenders his or her resignation.

2. Definitions. As used in this Agreement:

(a) "BENEFICIAL OWNER" and "BENEFICIAL OWNERSHIP" shall have the meaning given to such term in Rule 13d-3 under the Exchange Act.

(b) A "CHANGE IN CONTROL" shall be deemed to occur as of the first day any one or more of the following events occur:

(i) Any Person becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing more than twenty percent (20%) of the combined voting power of the Company's then outstanding securities.

(ii) During any period of twenty-six (26) consecutive months (not including any period prior to the execution of this Agreement), individuals who at the beginning of that period constitute the Board cease for any reason (other than death, disability or voluntary retirement) to constitute a majority of the Board. For this purpose, any new directors whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office, and who either were directors at the beginning of the period or whose election or nomination for election was so approved, will be deemed to have been a director at the beginning of any twenty-six (26) month period under consideration.

(iii) The stockholders of the Company approve: (A) a plan of complete liquidation or dissolution of the Company; (B) an agreement for the sale or disposition of all or substantially all the Company's assets; or (C) a merger, consolidation or reorganization of the Company with or involving any other corporation, other than a merger, consolidation or reorganization that would result

in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least eighty percent (80%) of the combined voting power of the voting securities of the Company (or the surviving entity) outstanding immediately after the merger, consolidation, or reorganization.

(c) "CORPORATE STATUS" shall mean the status of a person who is or was a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of the Company or of any other Enterprise for which such person is or was serving at the request of the Company.

(d) "DELAWARE COURT" shall mean the Court of Chancery of the State of Delaware.

(e) "DISINTERESTED DIRECTOR" shall mean a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(f) "ENTERPRISE" shall mean the Company, any Subsidiary of the Company and any other corporation, constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger to which the Company (or any of its wholly owned subsidiaries) is a party, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, officer, trustee, general partner, managing member, employee, agent or fiduciary.

(g) "EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as amended.

(h) "EXPENSES" shall include all reasonable direct and indirect costs, fees and expenses of any type or nature, including, without limitation, all reasonable attorneys' fees and costs, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, fees of private investigators and professional advisors, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, fax transmission charges, secretarial services and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, settlement or appeal of, or otherwise participating in, a Proceeding. Expenses also shall include Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(i) "INDEPENDENT COUNSEL" shall mean a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this

Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification, hold harmless or exoneration hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement.

(j) "PERSON" shall have the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act as in effect on the date hereof; provided, however, that Person shall exclude (i) the Company; (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company; and (iii) any corporation owned, directly or indirectly, by the Company's stockholders in substantially the same proportion as their ownership of stock of the Company.

(k) "PROCEEDING" shall include any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing, appeal or any other actual, threatened or completed proceeding, whether brought in the right of the Company or otherwise and whether of a civil (including intentional or unintentional tort claims), criminal, administrative or investigative nature, in which Indemnitee was, is or will be involved as a party or otherwise by reason of the fact that Indemnitee is or was a director or officer of the Company, by reason of any action (or failure to act) taken by him or her or of any action (or failure to act) on his or her part while acting as a director or officer of the Company, or by reason of the fact that he or she is or was serving at the request of the Company as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of any other Enterprise, in each case whether or not serving in such capacity at the time any liability or expense is incurred for which indemnification, holding harmless, exoneration, reimbursement, or advancement of expenses can be provided under this Agreement.

(l) "SUBSIDIARY" shall mean, with respect to any Person, any corporation or other entity of which a majority of the voting power of the voting equity securities or equity interests is owned, directly or indirectly, by that Person.

(m) (i) References to "FINES" shall include any excise tax assessed on Indemnitee with respect to any employee benefit plan; (ii) references to "SERVING AT THE REQUEST OF THE COMPANY" shall include any service as a director, officer, employee, agent or fiduciary of the Company which imposes duties on, or involves services by, such director, officer, employee, agent or fiduciary with respect to an employee benefit plan, its participants or beneficiaries; (iii) none of the Company's directors or officers who serves as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent for an entity, other than the Company or its Subsidiaries or affiliated entities (including employee benefit plans), shall be deemed to be "SERVING AT THE REQUEST OF THE COMPANY" for purposes of this Agreement without an express authorizing resolution adopted by the Board or a committee thereof; and (iv) If Indemnitee acted in good faith and in a manner he or she reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan, Indemnitee shall be deemed to have acted in a manner "NOT OPPOSED TO THE BEST INTERESTS OF THE COMPANY" as referred to in this Agreement.

3. Indemnity in Third-Party Proceedings. The Company shall indemnify, hold harmless and exonerate Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is, or is threatened to be made, a party to or a participant (as a witness or otherwise) in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3, Indemnitee shall be indemnified, held harmless and exonerated against all Expenses, judgments, liabilities, fines and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines and amounts paid in settlement) actually and reasonably incurred by Indemnitee or on his or her behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal Proceeding had no reasonable cause to believe that his or her conduct was unlawful.

4. Indemnity in Proceedings by or in the Right of the Company. The Company shall indemnify, hold harmless and exonerate Indemnitee in accordance with the provisions of this Section 4 if Indemnitee is, or is threatened to be made, a party to or a participant (as a witness or otherwise) in any Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, Indemnitee shall be indemnified, held harmless and exonerated against all Expenses, judgments, liabilities, fines and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines and amounts paid in settlement), actually and reasonably incurred by him or her on his or her behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company. No indemnification, hold harmless or exoneration for Expenses, judgments, liabilities, fines and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines and amounts paid in settlement) shall be made under this Section 4 in respect of any claim, issue or matter as to which Indemnitee shall have been finally adjudged by a court to be liable to the Company, unless and only to the extent that any court in which the Proceeding was brought, or the Delaware Court, shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to such indemnification, hold harmless and exoneration rights.

5. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provisions of this Agreement, to the extent that Indemnitee is a party to (or a participant in) and is successful, on the merits or otherwise, in any Proceeding or in defense of any claim, issue or matter therein, in whole or in part, the Company shall indemnify, hold harmless and exonerate Indemnitee against all Expenses, liabilities, fines and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, fines and amounts paid in settlement) actually and

reasonably incurred by him or her in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify, hold harmless and exonerate Indemnitee against all Expenses, liabilities, fines and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, fines and amounts paid in settlement) actually and reasonably incurred by him or her or on his or her behalf in connection with each successfully resolved claim, issue or matter. If the Indemnitee is not wholly successful in such Proceeding, the Company also shall indemnify, hold harmless and exonerate Indemnitee against all Expenses, liabilities, fines and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, fines and amounts paid in settlement) actually and reasonably incurred in connection with a claim, issue or matter related to any claim, issue, or matter on which the Indemnitee was successful. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, by reason of settlement, judgment, order or otherwise, shall be deemed to be a successful result as to such claim, issue or matter so long as there has been no finding that Indemnitee (i) did not act in good faith, or (ii) did not act in a manner reasonably believed to be in or not opposed to the best interests of the Company, or (iii) with respect to any criminal proceeding, had reasonable grounds to believe that his or her conduct was unlawful.

6. Indemnification For Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his or her Corporate Status, a witness in any Proceeding to which Indemnitee is not a party, he or she shall be indemnified, held harmless and exonerated against all Expenses actually and reasonably incurred by him or her or on his or her behalf in connection therewith.

7. Additional Indemnification, Hold Harmless and Exoneration Rights.

(a) Notwithstanding any limitation in Sections 3, 4, or 5, the Company shall indemnify, hold harmless and exonerate Indemnitee to the fullest extent permitted by law if Indemnitee is a party to or threatened to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties and amounts paid or payable) actually and reasonably incurred by Indemnitee in connection with the Proceeding.

(b) For purposes of Section 7(a), the meaning of the phrase "to the fullest extent permitted by law" shall include, but not be limited to:

(i) to the fullest extent permitted by the provision of the DGCL that authorizes or contemplates additional indemnification by agreement, or the corresponding provision of any amendment to or replacement of the DGCL, and

(ii) to the fullest extent authorized or permitted by any amendments to or replacements of the DGCL adopted after the date of this Agreement that increase the extent to which a corporation may indemnify, hold harmless or exonerate its officers and directors.

8. Exclusions. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnification, hold harmless or exoneration payment in connection with any claim made against Indemnitee:

(a) for which payment has actually been received by or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount actually received under any insurance policy, contract, agreement or other indemnity provision or otherwise; or

(b) for an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act or similar provisions of state statutory law or common law; or

(c) prior to a Change in Control, in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board authorized the Proceeding (or any part of any Proceeding) prior to its initiation or (ii) the Company provides the indemnification, hold harmless or exoneration payment in its sole discretion, pursuant to the powers vested in the Company under applicable law.

9. Advances of Expenses; Defense of Claim.

(a) Notwithstanding any provision of this Agreement to the contrary, and to the fullest extent permitted by applicable law, the Company shall advance the Expenses incurred by Indemnitee in connection with any Proceeding as soon as practicable, but in any event, within thirty (30) days after the receipt by the Company of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest free. Advances shall be made without regard to Indemnitee's ability to repay the Expenses and without regard to Indemnitee's ultimate entitlement to be indemnified, held harmless or exonerated under the other provisions of this Agreement. Advances shall include any and all reasonable Expenses incurred pursuing a Proceeding to enforce this right of advancement, including Expenses incurred preparing and forwarding statements to the Company to support the advances claimed. The Indemnitee shall qualify for advances, to the fullest extent permitted by applicable law, solely upon the execution and delivery to the Company of an undertaking providing that the Indemnitee undertakes to repay the advance to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified, held harmless or exonerated by the Company under the provisions of this Agreement, the Charter or Bylaws, applicable law or otherwise. This Section 9(a) shall not apply to any claim made by Indemnitee for which indemnification, hold harmless or exoneration payment is excluded pursuant to Section 8.

(b) The Company will be entitled to participate in the Proceeding at its own expense.

(c) The Company shall not settle any action, claim or Proceeding (in whole or in part) which would impose any Expense, judgment, fine, penalty or limitation on the Indemnitee without the Indemnitee's prior written consent.

10. Procedure for Notification and Application for Indemnification.

(a) Within sixty (60) days after being served with any summons, citation, subpoena, complaint, indictment, inquiry, information or other document relating to any Proceeding or matter which may be subject to indemnification, hold harmless or exoneration rights under this Agreement, or advancement of Expenses covered hereby, Indemnitee shall submit to the Company a written notice identifying the Proceeding. The omission by the Indemnitee to notify the Company will not relieve the Company from any liability which it may have to Indemnitee (i) otherwise than under this Agreement, and (ii) under this Agreement unless and only to the extent the Company can establish that such omission to notify resulted in actual prejudice to the Company.

(b) Indemnitee may thereafter deliver to the Company a written application to indemnify, hold harmless and exonerate Indemnitee in accordance with this Agreement. Such application(s) may be delivered from time to time and at such time(s) as Indemnitee deems appropriate in his or her sole discretion. Following such a written application for indemnification by Indemnitee, the Indemnitee's entitlement to such indemnification shall be determined according to Section 11(a) of this Agreement.

11. Procedure Upon Application for Indemnification.

(a) A determination, if required by applicable law, with respect to Indemnitee's entitlement to indemnification shall be made in the specific case by one of the following methods, which shall be at the election of Indemnitee: (i) by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, or (ii) by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee. The Company promptly will advise Indemnitee in writing with respect to any determination that Indemnitee is or is not entitled to indemnification, including a description of any reason or basis for which indemnification has been denied. If it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made as soon as practicable, but in no event more than thirty (30) days, after such determination. Indemnitee shall reasonably cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or Expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies, exonerates and agrees to hold Indemnitee harmless therefrom.

(b) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 11(a) hereof, the Independent Counsel shall be selected as provided in this Section 11(b). Indemnitee shall select the Independent Counsel and shall give written notice to the Company advising it of the identity of the Independent Counsel so selected and certifying that the Independent Counsel so selected meets the requirements of "Independent Counsel" as defined in Section 2 of this Agreement. The

Company may, within thirty (30) days after such written notice of selection shall have been received, deliver to Indemnitee a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 2 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court of competent jurisdiction has determined that such objection is without merit. If, within forty-five (45) days after submission by Indemnitee of a written request for indemnification pursuant to Section 10(a) hereof, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition a court of competent jurisdiction for resolution of any objection which shall have been made by the Company to Indemnitee's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the Court or by such other person as the Court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 11(a) hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 13(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

(c) The Company agrees to pay the reasonable fees and expenses of Independent Counsel and to fully indemnify, hold harmless and exonerate such Independent Counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

12. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person, persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 10(a) of this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. Neither the failure of the Company (including by its directors or independent legal counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or independent legal counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) If the person, persons or entity empowered or selected under Section 11 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within ninety (90) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by

Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law as set forth in a final judicial determination; provided, however, that such 90-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining or evaluating of documentation and/or information relating thereto.

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not meet any particular standard of conduct, did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his or her conduct was unlawful.

(d) For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Company if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information, opinions, reports or statements supplied to Indemnitee by the directors or officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant, investment banker or by an appraiser or other expert selected with the reasonable care by the Enterprise. The provisions of this Section 12(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed or found to have met the applicable standard of conduct set forth in this Agreement.

(e) The knowledge and/or actions, or failure to act, of any other director, officer, trustee, partner, managing member, fiduciary, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

13. Remedies of Indemnitee.

(a) In the event that (i) a determination is made pursuant to Section 11 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses, to the fullest extent permitted by law, is not timely made pursuant to Section 9 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 11(a) of this Agreement within ninety (90) days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 5, 6, 7 or the last sentence of Section 11(a) of this Agreement within thirty (30) days after receipt by the Company of a written request therefor, or (v) payment of indemnification pursuant to Section 3 or 4 of this Agreement is not made within thirty (30) days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee

shall be entitled to an adjudication by the Delaware Court of his or her entitlement to such indemnification, hold harmless, exoneration or advancement of Expenses rights. Alternatively, Indemnitee, at his or her option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Except as set forth herein, the provisions of Delaware law (without regard to its conflicts of laws rules) shall apply to any such arbitration. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 13 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 13 the Company shall have the burden of proving Indemnitee is not entitled to be indemnified, held harmless, exonerated or to receive advancement of Expenses, as the case may be, and the Company may not refer to or introduce into evidence any determination pursuant to Section 11(a) of this Agreement adverse to Indemnitee for any purpose.

(c) If a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 13, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) In the event that Indemnitee, pursuant to this Section 13, seeks a judicial adjudication of or an award in arbitration to enforce his or her rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Company, and shall be indemnified, held harmless and exonerated by the Company against, any and all Expenses actually and reasonably incurred by him or her in such judicial adjudication or arbitration. If it shall be determined in said judicial adjudication or arbitration that Indemnitee is entitled to receive part but not all of the indemnification, hold harmless, exoneration or advancement of Expenses sought, the Indemnitee shall be entitled to recover from the Company, and shall be indemnified, held harmless and exonerated by the Company against, any and all Expenses reasonably incurred by Indemnitee in connection with such judicial adjudication or arbitration.

(e) The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 13 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement. The Company shall indemnify, hold harmless and exonerate Indemnitee to the fullest extent permitted by law against all Expenses and, if requested by Indemnitee, shall (within thirty (30) days after the Company's receipt of a written request therefore) advance to Indemnitee such Expenses which are incurred by Indemnitee in connection with any judicial proceeding or arbitration brought by Indemnitee (i) to enforce his or her rights under, or to recover damages for breach of, this Agreement or any other indemnification, hold harmless, exoneration or

advancement agreement or provision of the Charter or Bylaws, now or hereafter in effect or (ii) for recovery or advances under any insurance policy maintained by any person or the Company for the benefit of Indemnitee, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement of Expenses or insurance recovery, as the case may be.

(f) If the Company fails to pay any amount due to Indemnitee hereunder within the time periods specified herein, then the Company shall pay to Indemnitee interest on such amount at the prime rate then in effect for the period commencing with the date on which such amount was required to be paid hereunder and ending with the date on which such payment is made by the Company to Indemnitee.

14. Security. Notwithstanding anything herein to the contrary, to the extent requested by Indemnitee and approved by the Board, the Company may at any time and from time to time provide security to Indemnitee for the Company's obligations hereunder through an irrevocable bank line of credit, funded trust or other collateral. Any such security, once provided to Indemnitee, may not be revoked or released without the prior written consent of Indemnitee.

15. Non-exclusivity; Survival of Rights; Insurance; Subrogation.

(a) The rights of Indemnitee to be indemnified, held harmless and exonerated and to advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Charter, the Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his or her Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in applicable law, whether by statute or judicial decision, permits greater indemnification, hold harmless or exoneration rights or advancement of Expenses than would be afforded currently under the Charter, the Bylaws or this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, trustees, partners, managing members, fiduciaries, employees, or agents of the Company or of any other Enterprise which such person serves at the request of the Company, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, trustee, partner, managing member, fiduciary, officer, employee or agent under such policy or policies. If, at the time the Company receives notice from any source of a Proceeding as to which Indemnitee is a party or a participant (as a witness or otherwise), the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies.

The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

(c) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) The Company's obligation to indemnify, hold harmless, exonerate or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other Enterprise shall be reduced by any amount Indemnitee has actually received as indemnification, hold harmless or exoneration payments or advancement of expenses from such other Enterprise.

(e) The DGCL, the Charter and the Bylaws permit the Company to purchase and maintain insurance or furnish similar protection or make other arrangements including, but not limited to, providing a trust fund, letter of credit, or surety bond ("INDEMNIFICATION ARRANGEMENTS") on behalf of Indemnitee against any liability asserted against him or her or incurred by or on behalf of him or her or in such capacity as a director, officer, employee or agent of the Company, or arising out of his or her Corporate Status as such, whether or not the Company would have the power to indemnify, hold harmless or exonerate him or her against such liability under the provisions of this Agreement or under the DGCL, as it may then be in effect. The purchase, establishment, and maintenance of any such Indemnification Arrangement shall not in any way limit or affect the rights and obligations of the Company or of the Indemnitee under this Agreement except as expressly provided herein, and the execution and delivery of this Agreement by the Company and the Indemnitee shall not in any way limit or affect the rights and obligations of the Company or the other party or parties thereto under any such Indemnification Arrangement

16. Duration of Agreement. This Agreement shall continue until and terminate upon the later of: (a) ten (10) years after the date that Indemnitee shall have ceased to serve as a director or officer, trustee, partner, managing member, fiduciary of the Company or as a director, officer, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which Indemnitee served at the request of the Company; or (b) one (1) year after the final termination of any Proceeding (including any appeal thereto) then pending in respect of which Indemnitee is granted rights of indemnification, hold harmless, exoneration or advancement of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 13 of this Agreement relating thereto (including any rights of appeal of any Proceeding described in Section 13). This Agreement shall be binding upon the Company and its successors and assigns and shall inure to the benefit of Indemnitee and his or her heirs, executors and administrators.

17. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against Indemnitee, Indemnitee's spouse,

heirs, executors or personal or legal representatives after the expiration of two (2) years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action, such shorter period shall govern.

18. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

19. Additional Acts. If for the validation of any of the provisions in this Agreement any act, resolution, approval or other procedure is required, the Company undertakes to cause such act, resolution, approval or other procedure to be affected or adopted in a manner that will enable the Company to fulfill its obligations under this Agreement.

20. Enforcement and Binding Effect.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director or officer of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as a director or officer of the Company.

(b) Without limiting any of the Indemnitee's rights under the Charter or Bylaws, this Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

(c) The indemnification, hold harmless, exoneration and advancement of Expenses rights provided by or granted pursuant to this Agreement shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), shall continue as to an Indemnitee who has ceased to be a director, officer, employee or agent of the Company or of any other Enterprise at the Company's request, and shall inure to the benefit of Indemnitee and his or her spouse, assigns, heirs, devisees, executors and administrators and other legal representatives.

(d) The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial

part, of the business and/or assets of the Company, by written agreement in form and substance reasonably satisfactory to the Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

(e) The Company and Indemnitee agree herein that a monetary remedy for breach of this Agreement, at some later date, may be inadequate, impracticable and difficult of proof, and further agree that such breach may cause Indemnitee irreparable harm. Accordingly, the parties hereto agree that Indemnitee may enforce this Agreement by seeking, among other things, injunctive relief and/or specific performance hereof, without any necessity of showing actual damage or irreparable harm and that by seeking injunctive relief and/or specific performance, Indemnitee shall not be precluded from seeking or obtaining any other relief to which he or she may be entitled. The Company and Indemnitee further agree that Indemnitee shall be entitled to such specific performance and injunctive relief, including temporary restraining orders, preliminary injunctions and permanent injunctions, without the necessity of posting bonds or other undertaking in connection therewith. The Company acknowledges that in the absence of a waiver, a bond or undertaking may be required of Indemnitee by the Court, and the Company hereby waives any such requirement of such a bond or undertaking.

21. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

22. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (a) if delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, or (b) if mailed by certified or registered mail with postage prepaid, on the third (3rd) business day after the date on which it is so mailed:

(a) If to Indemnitee, at the address indicated on the signature page of this Agreement, or such other address as Indemnitee shall provide in writing to the Company.

(b) If to the Company to Lear Corporation, Attention: General Counsel, 21557 Telegraph Road, Southfield, Michigan 48034 or to any other address as may have been furnished in writing to Indemnitee by the Company.

23. Contribution. To the fullest extent permissible under applicable law, if the indemnification, hold harmless and exoneration rights provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying, holding harmless and exonerating Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such

Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

24. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 13(a) of this Agreement, the Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Delaware Court, and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) irrevocably appoint, to the extent such party is not a resident of the State of Delaware, RL&F Service Corp., One Rodney Square, 10th Floor, 10th and King Streets, Wilmington, Delaware 19801 as its agent in the State of Delaware as such party's agent for acceptance of legal process in connection with any such action or proceeding against such party with the same legal force and validity as if served upon such party personally within the State of Delaware, (iv) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (v) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum, or is subject, in whole or in part, to a jury trial.

25. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

26. Miscellaneous. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

[Signature page follows]

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

LEAR CORPORATION

By: /s/ Daniel A. Ninivaggi

Daniel A. Ninivaggi
Senior Vice President, Secretary and
General Counsel

INDEMNITEE

____

Name:	[________________]
Title:	[________________]
Address:	[________________]
	[________________]
	[________________]

Exhibit 31.1

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) 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

   (d) 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: August 5, 2005

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

Exhibit 31.2

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) 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

   (d) 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: August 5, 2005

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

Exhibit 32.1

**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 July 2, 2005, 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: August 5, 2005

Signed: /s/ Robert E. Rossiter
Robert E. Rossiter
Chief Executive Officer

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

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

Exhibit 32.2

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 July 2, 2005, 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: August 5, 2005

Signed: /s/ David C. Wajsgras
David C. Wajsgras
Chief Financial Officer

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

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