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 **September 28, 2002**

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

(248) 447-1500
(Registrant's telephone number, including area code)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Number of shares of Common Stock, $0.01 par value per share, outstanding as of October 31, 2002: 65,737,658

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LEAR CORPORATION

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 28, 2002

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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 generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. We believe that the disclosures are adequate to make the information presented not misleading when read in conjunction with the financial statements and the notes thereto included in our Annual Report on Form 10-K, as filed with the Securities and Exchange Commission for the period ended December 31, 2001.

The financial information presented reflects all adjustments (consisting only of normal recurring adjustments) which are, in our opinion, necessary for a fair presentation of the results of operations 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)

	September 28, 2002	December 31, 2001
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 86.4	$ 87.6
Accounts receivable, net	1,773.1	1,392.8
Inventories	497.4	440.3
Recoverable customer engineering and tooling	175.3	191.6
Other	270.5	254.5
Total current assets	2,802.7	2,366.8
LONG-TERM ASSETS:		
Property, plant and equipment, net	1,664.9	1,715.7
Goodwill, net	2,828.9	3,139.5
Other	397.0	357.2
Total long-term assets	4,890.8	5,212.4
	$ 7,693.5	$ 7,579.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings	$ 88.0	$ 63.2
Accounts payable and drafts	2,191.3	1,982.9
Accrued liabilities	1,203.1	1,007.2
Current portion of long-term debt	3.5	129.5
Total current liabilities	3,485.9	3,182.8
LONG-TERM LIABILITIES:		
Long-term debt	2,134.9	2,293.9
Other	578.1	543.4
Total long-term liabilities	2,713.0	2,837.3
STOCKHOLDERS' EQUITY:		
Common stock, $.01 par value, 150,000,000 shares authorized; 70,099,988 shares issued at September 28, 2002 and 68,615,667 shares issued at December 31, 2001	0.7	0.7
Additional paid-in capital	935.7	888.3
Note receivable from sale of common stock	—	(0.1)
Common stock held in treasury, 4,362,330 shares at September 28, 2002 and December 31, 2001, at cost	(111.4)	(111.4)
Retained earnings	957.8	1,062.8
Accumulated other comprehensive loss	(288.2)	(281.2)
Total stockholders' equity	1,494.6	1,559.1
	$ 7,693.5	$ 7,579.2

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

LEAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited, in millions, except per share data)

	Three Months Ended		Nine Months Ended	
	September 28, 2002	September 29, 2001	September 28, 2002	September 29, 2001
Net sales	$ 3,337.4	$ 3,106.7	$ 10,664.2	$ 10,219.7
Cost of sales	3,053.1	2,846.9	9,778.0	9,383.2
Selling, general and administrative expenses	125.4	122.3	389.9	384.5
Amortization of goodwill	—	22.5	—	67.2
Interest expense	51.6	60.6	159.2	196.4
Other expense, net	14.6	27.7	46.1	59.1
Income before provision for income taxes and cumulative effect of a change in accounting principle	92.7	26.7	291.0	129.3
Provision for income taxes	31.1	11.0	97.5	54.2
Income before cumulative effect of a change in accounting principle	61.6	15.7	193.5	75.1
Cumulative effect of a change in accounting principle, net of tax	—	—	298.5	—
Net income (loss)	$ 61.6	$ 15.7	$ (105.0)	$ 75.1
Basic net income (loss) per share:				
Income before cumulative effect of a change in accounting principle	$ 0.94	$ 0.24	$ 2.97	$ 1.18
Cumulative effect of a change in accounting principle	—	—	4.58	—
Basic net income (loss) per share	$ 0.94	$ 0.24	$ (1.61)	$ 1.18
Diluted net income (loss) per share:				
Income before cumulative effect of a change in accounting principle	$ 0.91	$ 0.24	$ 2.89	$ 1.15
Cumulative effect of a change in accounting principle	—	—	4.46	—
Diluted net income (loss) per share	$ 0.91	$ 0.24	$ (1.57)	$ 1.15

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

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

	Nine Months Ended	
	September 28, 2002	September 29, 2001
Cash Flows from Operating Activities:		
Net income (loss)	$ (105.0)	$ 75.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Cumulative effect of a change in accounting principle	298.5	—
Gain on disposition of businesses	—	(12.4)
Loss on write-down of other assets to net realizable value	—	3.1
Depreciation and amortization	223.0	294.4
Net change in recoverable customer engineering and tooling	20.5	102.4
Net change in working capital items	(51.8)	(127.9)
Other, net	12.3	7.5
Net cash provided by operating activities before net change in sales of receivables	397.5	342.2
Net change in sales of receivables	(27.4)	298.5
Net cash provided by operating activities	370.1	640.7
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(173.3)	(157.4)
Net proceeds from disposition of businesses and other assets	—	44.7
Other, net	7.3	11.9
Net cash used in investing activities	(166.0)	(100.8)
Cash Flows from Financing Activities:		
Senior notes	250.3	223.4
Long-term borrowings, net	(538.4)	(689.4)
Short-term borrowings, net	21.6	(49.8)
Proceeds from sale of common stock	47.4	—
Increase (decrease) in drafts	29.6	(12.4)
Other, net	0.6	1.5
Net cash used in financing activities	(188.9)	(526.7)
Effect of foreign currency translation	(16.4)	(10.8)
Net Change in Cash and Cash Equivalents	(1.2)	2.4
Cash and Cash Equivalents at Beginning of Period	87.6	98.8
Cash and Cash Equivalents at End of Period	$ 86.4	$ 101.2
Changes in Working Capital Items, Net of Effect of Acquisitions and Dispositions:		
Accounts receivable, net	$ (300.7)	$ (211.8)
Inventories	(55.1)	51.3
Accounts payable	111.1	17.9
Accrued liabilities and other	192.9	14.7
	$ (51.8)	$ (127.9)
Supplementary Disclosure:		
Cash paid for interest	$ 120.2	$ 175.4
Cash paid for income taxes	$ 122.4	$ 81.3

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

LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

The consolidated financial statements include the accounts of Lear Corporation ("Lear" or the "Parent"), a Delaware corporation, and the wholly-owned and majority-owned subsidiaries controlled by Lear (collectively, the "Company"). Investments in affiliates, other than wholly-owned and majority-owned subsidiaries controlled by Lear, in which Lear owns a 20% or greater interest are accounted for under the equity method.

The Company and its affiliates are involved in the design and manufacture of 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 2001 financial statements have been reclassified to conform to the presentation used in 2002.

(2) 2001 Dispositions

In March 2001, the Company completed the sale of its Spanish wire business for approximately $35.5 million. A gain on the sale of $12.4 million is included in other expense, net in the accompanying consolidated statement of income for the nine months ended September 29, 2001. The pro forma operating results of the Company, after giving effect to this disposition, would not be materially different from reported results. In addition, the Company recorded a loss of $3.1 million related to the write-down of certain other assets to net realizable value, which is included in other expense, net in the consolidated statement of income for the nine months ended September 29, 2001.

(3) Restructuring and Other Charges

2001

In order to better align the Company's operations and capacity in response to reductions in global automotive production volumes, the Company began to implement a restructuring plan in the fourth quarter of 2001. This restructuring plan is designed to consolidate some of the Company's operations and to improve overall efficiencies and the Company's long-term competitive position. As a result of this restructuring plan, the Company recorded pre-tax charges of $149.2 million in the fourth quarter of 2001, including $141.4 million recorded as cost of goods sold and $7.8 million recorded as selling, general and administrative expenses. These charges were incurred across all reportable operating segments and reflect $71.2 million related to the Company's North and South American regions and $78.0 million related to the Company's European and Rest of World regions.

The consolidation of the North and South American regions includes the closure of ten manufacturing and three warehouse facilities in North America and three manufacturing facilities in South America. Several of these actions involve the relocation of business to improve factory utilization. The charges consist of severance costs of $32.2 million for 399 salaried and 3,092 hourly employees notified prior to December 31, 2001, asset impairment charges of $24.5 million to write-down assets to their fair value less disposal costs, lease cancellation costs of $6.0 million and other facility closure costs of $2.8 million. Certain of these amounts have been recorded net of estimated recoveries from third parties. Severance costs were recorded based on both completed negotiations and existing union and employee contracts. The asset impairment charges related to the disposal of seven buildings and the related machinery and equipment. The buildings had a carrying value of $16.5 million and an estimated fair value of $13.5 million, resulting in an impairment charge of $3.0 million. The machinery and equipment had a carrying value of $27.9 million and an estimated fair value of $6.4 million, resulting in an impairment charge of $21.5 million. The fair value of the assets was determined using both appraisals and cash flow analyses. Lease cancellation costs are expected to be paid through 2005. As of September 28, 2002, nine of the manufacturing facilities and all of the warehouse facilities were closed and 2,547 of the employees had been terminated. The remaining facility closures and terminations are expected to be completed in 2002 and 2003.

The Company also implemented a plan to consolidate certain administrative functions and to reduce the U.S. salaried workforce. The Company recorded a charge of $5.7 million for severance costs for 229 employees notified prior to December 31, 2001. Severance costs were recorded based on both completed negotiations and existing employee contracts. As of September 28, 2002, 203 of the employees had been terminated. The remaining terminations are expected to be completed in 2002.

The consolidation of the European and Rest of World regions includes the closure of five manufacturing facilities. Several of these actions involve the relocation of business to improve factory utilization. The charges consist of severance costs of $25.3 million for 299 salaried and 3,991 hourly employees notified prior to December 31, 2001, asset impairment charges of $27.4 million to write-down assets to their fair value less disposal costs, lease cancellation costs of $0.3 million and other facility closure costs of $6.8 million. Severance costs were recorded based on both completed negotiations and existing union and employee contracts. The asset impairment charges related to the disposal of two buildings and the related machinery and equipment. The buildings had a carrying value of $12.0 million and an estimated fair value of $2.7 million, resulting in an impairment charge of $9.3 million. The machinery and equipment had a carrying value of $20.2 million and an estimated fair value of $2.1 million, resulting in an impairment charge of $18.1 million. The fair value of the assets was determined using both appraisals and cash flow analyses. As of September 28, 2002, two of the facilities were closed and 4,115 of the employees had been terminated. The remaining facility closures and terminations are expected to be completed in 2002 and 2003.

The majority of the European countries in which the Company operates have statutory requirements with regard to minimum severance payments, which must be made to employees upon termination. The Company recorded a charge of $14.9 million for severance costs for 150 salaried employees and 1,356 hourly employees in one country under SFAS No. 112, “Employers’ Accounting for Postemployment Benefits,” as the Company anticipates this to be the minimum aggregate severance payments that will be made in accordance with statutory requirements. As of September 28, 2002, 892 of the employees had been terminated. The remaining terminations are expected to be completed in 2002.

The Company also implemented a plan to consolidate certain administrative functions and to reduce the European salaried workforce. The Company recorded a charge of $3.3 million for severance costs for 70 employees notified prior to December 31, 2001. Severance costs were recorded based on both completed negotiations and existing employee contracts. As of September 28, 2002, 43 of the employees had been terminated. Substantially all of the remaining terminations are expected to be completed in 2002.

There have been no significant changes to the original restructuring plan. The following table summarizes the activity in the restructuring accrual (in millions):

	Accrual at December 31, 2001	Utilized Cash	Accrual at September 28, 2002
North and South American regions:			
Severance	$ 33.6	$ (20.8)	$ 12.8
Lease cancellation costs	5.9	(1.3)	4.6
Other closure costs	2.6	(1.5)	1.1
European and ROW regions:			
Severance	40.5	(23.2)	17.3
Lease cancellation costs	0.3	(0.1)	0.2
Other closure costs	6.8	(1.5)	5.3
Total	$ 89.7	$ (48.4)	$ 41.3

1998

In the fourth quarter of 1998, the Company began to implement a restructuring plan designed to reduce its cost structure and improve its long-term competitive position. As a result of this restructuring plan, the Company recorded pre-tax charges of $133.0 million, consisting of $110.5 million of restructuring charges and $22.5 million of other charges. This restructuring is complete. The remaining accrual of $6.5 million as of December 31, 2001 consists of long-term lease commitments related to closed European facilities, of which $1.2 million of payments were made during the first nine months of 2002.

UT Automotive

During the second quarter of 1999, the Company began to implement restructuring plans designed to integrate the operations of UT Automotive, Inc. (“UT Automotive”), a wholly-owned operating unit of United Technologies Corporation. As a result of these restructuring plans, the Company recorded adjustments to the original purchase price allocation totaling $29.6 million in 1999 and

2000. The plans called for the termination of 899 employees, all of whom had been terminated as of September 28, 2002, and the closure of or exit from four facilities, all of which had been closed or vacated as of September 28, 2002. The remaining severance accrual of $1.2 million as of December 31, 2001 was reversed through goodwill in the first quarter of 2002, as actual severance payments were less than those accrued. The remaining closure cost accrual of $1.8 million as of December 31, 2001 relates to costs associated with the demolition of a closed facility, of which $0.9 million of costs were incurred during the first nine months of 2002. The remaining closure costs are expected to be incurred in 2002.

(4) 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):

	September 28, 2002	December 31, 2001
Raw materials	$ 347.2	$ 286.0
Work-in-process	37.5	51.2
Finished goods	112.7	103.1
Inventories	$ 497.4	$ 440.3

(5) 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):

	September 28, 2002	December 31, 2001
Land	$ 100.6	$ 105.5
Buildings and improvements	597.3	571.6
Machinery and equipment	2,081.6	1,951.9
Construction in progress	36.1	26.3
Total property, plant and equipment	2,815.6	2,655.3
Less — accumulated depreciation	(1,150.7)	(939.6)
Net property, plant and equipment	$ 1,664.9	$ 1,715.7

(6) Goodwill

On January 1, 2002, the Company adopted Statement of Financial Accounting Standards (“SFAS”) No. 142, “Goodwill and Other Intangible Assets.” Under this statement, goodwill is no longer amortized but is subject to annual impairment analysis. The Company’s initial impairment analysis compared the fair values of each of its reporting units, based on discounted cash flow analyses, to the related net book values. As a result, the Company recorded impairment charges of $310.8 million ($298.5 million after tax) as of January 1, 2002. These charges are reflected as a cumulative effect of a change in accounting principle, net of tax in the consolidated statement of income for the nine months ended September 28, 2002.

The following table presents the changes in the carrying amount of goodwill, by reportable operating segment, for the nine months ended September 28, 2002 (in millions):

	Seating	Interior	Electronic and Electrical	Total
Balance as of December 31, 2001	$ 939.6	$ 1,114.3	$ 1,085.6	$ 3,139.5
Impairment charges	—	(96.3)	(214.5)	(310.8)
Foreign currency translation and other	17.6	(2.4)	(15.0)	0.2
Balance as of September 28, 2002	$ 957.2	$ 1,015.6	$ 856.1	$ 2,828.9

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(Continued)

In addition, as of January 1, 2002, the Company no longer amortizes goodwill. The following table presents net income (loss) and net income (loss) per share information as if goodwill were no longer amortized as of January 1, 2001 (in millions, except per share data):

	Reported	Goodwill Amortization, Net of Tax	Adjusted
Three months ended September 28, 2002			
Net income	$ 61.6	$ —	$ 61.6
Basic net income per share	$ 0.94	$ —	$ 0.94
Diluted net income per share	$ 0.91	$ —	$ 0.91
Three months ended September 29, 2001			
Net income	$ 15.7	$ 18.8	$ 34.5
Basic net income per share	$ 0.24	$ 0.30	$ 0.54
Diluted net income per share	$ 0.24	$ 0.29	$ 0.53
Nine months ended September 28, 2002			
Net loss	$ (105.0)	$ —	$ (105.0)
Basic net loss per share	$ (1.61)	$ —	$ (1.61)
Diluted net loss per share	$ (1.57)	$ —	$ (1.57)
Nine months ended September 29, 2001			
Net income	$ 75.1	$ 57.1	$ 132.2
Basic net income per share:	$ 1.18	$ 0.89	$ 2.07
Diluted net income per share:	$ 1.15	$ 0.88	$ 2.03

(7) 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 12, is shown below (in millions):

	September 28, 2002		December 31, 2001	
	Long-Term Debt	Weighted Average Interest Rate	Long-Term Debt	Weighted Average Interest Rate
Credit agreements	$ 156.0	7.05%	$ 714.3	6.83%
Other	79.6	5.08%	86.3	4.73%
	235.6		800.6	
Less — current portion	(3.5)		(129.5)	
	232.1		671.1	
Zero-coupon Convertible Senior Notes, due 2022	257.4	4.75%	—	N/A
8.125% Senior Notes, due 2008	245.4	8.125%	222.8	8.125%
8.11% Senior Notes, due 2009	800.0	8.11%	800.0	8.11%
7.96% Senior Notes, due 2005	600.0	6.57%	600.0	6.95%
	1,902.8		1,622.8	
Long-term debt	$ 2,134.9		$ 2,293.9	

In February 2002, the Company issued $640.0 million aggregate principal amount at maturity of zero-coupon convertible senior notes due 2022, yielding gross proceeds of $250.3 million. The notes are unsecured and rank equally with the Company’s other unsecured senior indebtedness, including the Company’s other senior notes. Each note of $1,000 principal amount at maturity was issued at a price of $391.06, representing a yield to maturity of 4.75%. Holders of the notes may convert their notes at any time on or before the maturity date at a conversion rate, subject to adjustment, of 7.5204 shares of the Company’s common stock per note, provided that the average per share price of the Company’s common stock for the 20 trading days immediately prior to the conversion date is at least a specified percentage, beginning at 120% and declining 1/2% each year thereafter to 110% at maturity, of the accreted value of the note, divided by the conversion rate. The notes are also convertible (1) if the long-term credit rating assigned to the notes

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

by either Moody's Investors Service, Inc. or Standard & Poor's Ratings Group is reduced below Ba3 or BB-, respectively, or either ratings agency withdraws its long-term credit rating assigned to the notes, (2) if the Company calls the notes for redemption or (3) upon the occurrence of specified other events. Under generally accepted accounting principles, the shares into which the notes are convertible will not be included in the Company's calculation of diluted net income per share unless one of the contingent conversion triggering events, discussed above, occurs, or it is expected that the Company will satisfy its obligation to repurchase the notes, as discussed below, with shares of common stock. If the notes are required to be repurchased, the Company currently expects to purchase the notes for cash. Accordingly, the notes are not included in the Company's calculation of diluted net income (loss) per share (Note 8).

The Company has an option to redeem all or a portion of the convertible notes for cash at their accreted value at any time on or after February 20, 2007. Holders may require the Company to purchase their notes on each of February 20, 2007, 2012 and 2017, as well as upon the occurrence of a fundamental change, at their accreted value on such dates. The Company may choose to pay the purchase price in cash or, subject to the satisfaction of certain conditions, shares of the Company's common stock or a combination of cash and shares of the Company's common stock. The Company used the proceeds from the convertible note offering to repay indebtedness under the revolving portion of the Company's primary credit facilities. The offering of the convertible notes was made pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"). On June 21, 2002, a registration statement filed by the Company covering the resale of the notes and the common stock issuable upon their conversion was declared effective by the Securities and Exchange Commission.

In March 2001, the Company replaced its $2.1 billion revolving credit facility in order to extend its maturity and reduce commitments. As a result, interest rates and fees thereunder were adjusted to then-current market rates. In addition, the Company amended its other primary credit facilities at the same time. The Company's primary credit facilities now consist of a $1.7 billion amended and restated credit facility, which matures on March 26, 2006, a $500 million revolving credit facility, which matures on May 4, 2004, and a $500 million term loan, having scheduled amortization which began on October 31, 2000 and a final maturity on May 4, 2004. As of September 28, 2002, $150 million was outstanding under the term loan. On March 31, 2002, the Company adopted SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections," under which gains and losses associated with the extinguishment of debt are no longer classified as extraordinary. Accordingly, the write-off of deferred financing fees related to the $2.1 billion revolving credit facility, which totaled approximately $1.0 million, has been reclassified to other expense, net in the accompanying consolidated statement of income for the nine months ended September 29, 2001.

In March 2001, the Company issued 8.125% senior notes due 2008 (the "Eurobonds") in an aggregate principal amount of 250 million EUR (approximately $245.4 million based on the exchange rate in effect as of September 28, 2002). The offering of the Eurobonds was not registered under the Securities Act. On November 13, 2001, the Company completed an exchange offer of the Eurobonds for substantially identical notes registered under the Securities Act.

In connection with the UT Automotive acquisition, the Company issued $1.4 billion aggregate principal amount of senior notes, $800 million of which mature in 2009 and $600 million of which mature in 2005.

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

Lear's obligations under its primary credit facilities and senior notes are guaranteed, on a joint and several basis, by certain of its wholly-owned subsidiaries. See Note 14, "Supplemental Guarantor Condensed Consolidating Financial Statements."

In August 2001, the Company redeemed its 9.50% subordinated notes due 2006. The redemption was made at 104.75% of the aggregate principal amount of the notes. In May 2001, the Company redeemed its 8.25% subordinated notes due 2002. The redemption was made at par. The redemptions were financed through borrowings under the Company's primary credit facilities. The redemption premium and the write-off of deferred financing fees related to the 9.50% subordinated notes due 2006 totaled

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

approximately $12.0 million, which has been reclassified to other expense, net in the accompanying consolidated statements of income for the three and nine months ended September 29, 2001 in accordance with SFAS No. 145.

(8) 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 (loss) per share is computed using the average share price during the period when calculating the dilutive effect of common stock equivalents. A summary of shares outstanding is shown below:

	Three Months Ended		Nine Months Ended	
	September 28, 2002	September 29, 2001	September 28, 2002	September 29, 2001
Weighted average shares outstanding	65,712,273	64,090,128	65,236,032	63,897,290
Dilutive effect of common stock equivalents	1,772,824	1,473,838	1,831,905	1,330,102
Diluted shares outstanding	67,485,097	65,563,966	67,067,937	65,227,392

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

	Three Months Ended		Nine Months Ended	
	September 28, 2002	September 29, 2001	September 28, 2002	September 29, 2001
Antidilutive options	611,250	2,090,650	611,250	3,521,550
Exercise price	$ 54.22	$ 37.00 - $54.22	$ 54.22	$ 35.93 - $54.22

(9) 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 would be a part of comprehensive income (loss). A summary of comprehensive income (loss) is shown below (in millions):

	Three Months Ended		Nine Months Ended	
	September 28, 2002	September 29, 2001	September 28, 2002	September 29, 2001
Net income (loss)	$ 61.6	$ 15.7	$ (105.0)	$ 75.1
Other comprehensive loss:				
Derivative instruments and hedging activities	(10.1)	(24.7)	(30.1)	(32.2)
Foreign currency translation adjustment	(7.0)	8.3	23.1	(46.8)
Other comprehensive loss	(17.1)	(16.4)	(7.0)	(79.0)
Comprehensive income (loss)	$ 44.5	$ (0.7)	$ (112.0)	$ (3.9)

(10) 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 noncancelable right to use the tooling. During the first nine months of 2002 and 2001, the Company capitalized $104.9 million and $68.4 million, respectively, of pre-production ER&D costs for products to be supplied under long-term supply agreements for which reimbursement is contractually guaranteed by the customer and $296.8 million and $144.5 million, respectively, of pre-production tooling costs for products to be supplied under long-term supply agreements related to Company-owned tools as well as customer-owned tools for which reimbursement is contractually guaranteed by the customer or for which the customer has provided a noncancelable right to use the tooling.

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(11) Segment Reporting

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

A summary of revenues from external customers and other financial information, including operating income before amortization ("EBITA"), by reportable operating segment is shown below (in millions):

	Three Months Ended September 28, 2002				
	Seating	Interior	Electronic and Electrical	Other	Consolidated
Revenues from external customers	$ 2,264.3	$ 608.9	$ 464.2	$ —	$ 3,337.4
EBITA	118.2	33.7	59.2	(52.2)	158.9
Depreciation	33.3	25.9	17.1	(1.0)	75.3
Capital expenditures	26.2	24.6	18.4	1.6	70.8
Total assets	2,730.5	1,477.8	884.3	2,600.9	7,693.5

	Three Months Ended September 29, 2001				
	Seating	Interior	Electronic and Electrical	Other	Consolidated
Revenues from external customers	$ 2,117.1	$ 569.4	$ 419.2	$ 1.0	$ 3,106.7
EBITA	100.7	45.8	34.0	(43.0)	137.5
Depreciation	30.6	23.8	17.0	0.2	71.6
Capital expenditures	36.6	21.8	9.7	1.6	69.7
Total assets	2,664.7	1,441.4	986.8	2,719.5	7,812.4

	Nine Months Ended September 28, 2002				
	Seating	Interior	Electronic and Electrical	Other	Consolidated
Revenues from external customers	$ 7,253.7	$ 1,906.2	$ 1,504.3	$ —	$ 10,664.2
EBITA	364.5	108.2	173.1	(149.5)	496.3
Depreciation	98.7	74.9	50.0	(0.6)	223.0
Capital expenditures	58.6	57.9	53.3	3.5	173.3
Total assets	2,730.5	1,477.8	884.3	2,600.9	7,693.5

	Nine Months Ended September 29, 2001				
	Seating	Interior	Electronic and Electrical	Other	Consolidated
Revenues from external customers	$ 6,951.9	$ 1,847.4	$ 1,416.7	$ 3.7	$ 10,219.7
EBITA	310.6	145.0	122.1	(125.7)	452.0
Depreciation	96.5	77.8	53.1	(0.2)	227.2
Capital expenditures	65.3	59.0	29.7	3.4	157.4
Total assets	2,664.7	1,441.4	986.8	2,719.5	7,812.4

(12) Financial Instruments

Several of the Company's European subsidiaries factor their accounts receivable with financial institutions subject to limited recourse provisions. The amount of such factored receivables, which is not included in accounts receivable in the consolidated balance sheets as of September 28, 2002 and December 31, 2001, was $176.9 million and $183.7 million, respectively.

Asset-backed Securitization Agreement

The Company and its subsidiaries sold to a wholly-owned special purpose corporation adjusted accounts receivable totaling $1.0 billion during each of the three month periods ended September 28, 2002 and September 29, 2001 and $3.3 billion and $3.1 billion during the nine months ended September 28, 2002 and September 29, 2001, respectively, under an asset-backed securitization facility

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(the "ABS facility") and recognized a discount of $1.4 million and $3.1 million in the three months ended September 28, 2002 and September 29, 2001, respectively, and $4.2 million and $13.2 million in the nine months ended September 28, 2002 and September 29, 2001, respectively. This discount is reflected as other expense, net in the consolidated statements of income for the three and nine months ended September 28, 2002 and September 29, 2001.

The special purpose corporation purchases the receivables from the Company and several of its U.S. subsidiaries and then simultaneously transfers undivided interests in the receivables to certain bank conduits, which fund their purchases through the issuance of commercial paper. The Company continues to service the transferred receivables and receives an annual servicing fee of 1.0% of the sold receivables. The conduit investors and the special purpose corporation have no recourse to the Company's or its subsidiaries' other assets for the failure of the accounts receivable obligors to pay timely on the accounts receivable. With respect to the sold receivables, the Company's retained interest is subordinated to the bank conduits' undivided purchased interests. The sold receivables servicing portfolio amounted to $571.6 million as of September 28, 2002, of which undivided interests in $257.5 million of receivables have been transferred to the bank conduits and are excluded from accounts receivable, net in the accompanying consolidated balance sheet as of September 28, 2002.

The following table summarizes certain cash flows received from and paid to the special purpose corporation (in millions):

	Three Months Ended		Nine Months Ended	
	September 28, 2002	September 29, 2001	September 28, 2002	September 29, 2001
Proceeds from new securitizations	$ —	$ —	$ —	$ 300.0
Proceeds from collections reinvested in securitizations	1,105.1	1,072.3	3,349.2	2,584.1
Servicing fees received	1.3	1.3	4.1	3.7

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 Canadian Dollar, the European Euro and the Mexican Peso. 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 September 28, 2002, contracts representing $0.7 billion of notional amount were outstanding with maturities of less than three months. The fair value of these contracts as of September 28, 2002 was approximately $1.7 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 September 28, 2002, contracts representing $0.9 billion of notional amount were outstanding with maturities of less than 18 months. The fair value of these contracts as of September 28, 2002 was approximately $(21.3) 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 floating 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 September 28, 2002, contracts representing $1.0 billion of notional amount were outstanding with maturity dates of June 2003 through May 2005. Of these contracts, $0.7 billion swap variable rate debt for fixed rate debt and $0.3 billion swap fixed rate debt for variable rate debt. The fair value of these interest rate swap agreements is subject to changes in value due to changes in interest rates. The fair value of outstanding interest rate swap agreements as of September 28, 2002 was approximately $(5.5) million.

As of September 28, 2002 and September 29, 2001, a net loss of approximately $43.2 million and $32.2 million, respectively, related to derivative instruments and hedging activities was recorded in accumulated other comprehensive loss. As of September 28, 2002, all cash flow hedges mature within 15 months, and all fair value hedges of the Company's fixed rate debt instruments mature within 32 months. During the twelve month period ending September 27, 2003, the Company expects to reclassify into earnings net losses of approximately $38.4 million recorded in accumulated other comprehensive loss. Such losses will be reclassified at the time the

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underlying hedged transactions are realized. During the three and nine months ended September 28, 2002 and September 29, 2001, amounts recognized in the consolidated statements of income 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 Euro-denominated senior notes (Note 7) as a net investment hedge of long-term investments in its Euro-functional subsidiaries. As of September 28, 2002, the amount recorded in cumulative translation adjustment related to the effective portion of the net investment hedge of foreign operations was a loss of approximately $22.0 million.

(13) Stock Option Plans

The Company currently applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations in accounting for stock options issued under its stock options plans. Accordingly, compensation cost is calculated as the difference between the exercise price of the option and the market value of the stock at the date the option was granted. Effective January 1, 2003, the Company intends to adopt the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," under which compensation cost for subsequent stock option grants will be determined based on the fair value of the option at the date the option is granted. The resulting compensation cost will be amortized over the vesting period of the option. In 2003, the adoption of SFAS No. 123 is expected to reduce net income per share by approximately $0.07 per share, assuming a similar mid-year option grant, consistent with prior years.

(14) Supplemental Guarantor Condensed Consolidating Financial Statements

	September 28, 2002				
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
			(Unaudited)		
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 0.4	$ 2.9	$ 83.1	$ —	$ 86.4
Accounts receivable, net	4.0	409.5	1,359.6	—	1,773.1
Inventories	12.7	186.4	298.3	—	497.4
Recoverable customer engineering and tooling	0.1	62.2	113.0	—	175.3
Other	65.1	115.9	89.5	—	270.5
Total current assets	82.3	776.9	1,943.5	—	2,802.7
LONG-TERM ASSETS:					
Property, plant and equipment, net	106.6	749.0	809.3	—	1,664.9
Goodwill, net	100.2	1,903.1	825.6	—	2,828.9
Investment in subsidiaries	887.1	999.5	—	(1,886.6)	—
Other	113.5	94.3	189.2	—	397.0
Total long-term assets	1,207.4	3,745.9	1,824.1	(1,886.6)	4,890.8
	$ 1,289.7	$ 4,522.8	$ 3,767.6	$ (1,886.6)	$ 7,693.5
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Short-term borrowings	$ 60.0	$ 0.5	$ 27.5	$ —	$ 88.0
Accounts payable and drafts	118.1	832.7	1,240.5	—	2,191.3
Accrued liabilities	186.2	442.0	574.9	—	1,203.1
Current portion of long-term debt	—	0.2	3.3	—	3.5
Total current liabilities	364.3	1,275.4	1,846.2	—	3,485.9
LONG-TERM LIABILITIES:					
Long-term debt	2,101.7	11.0	22.2	—	2,134.9
Intercompany accounts, net	(2,896.1)	2,985.2	(89.1)	—	—
Other	225.2	153.8	199.1	—	578.1
Total long-term liabilities	(569.2)	3,150.0	132.2	—	2,713.0
STOCKHOLDERS' EQUITY	1,494.6	97.4	1,789.2	(1,886.6)	1,494.6
	$ 1,289.7	$ 4,522.8	$ 3,767.6	$ (1,886.6)	$ 7,693.5

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

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

	December 31, 2001				
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ (2.1)	$ 6.8	$ 82.9	$ —	$ 87.6
Accounts receivable, net	4.2	161.1	1,227.5	—	1,392.8
Inventories	10.5	157.5	272.3	—	440.3
Recoverable customer engineering and tooling	10.2	80.6	100.8	—	191.6
Other	102.2	81.6	70.7	—	254.5
Total current assets	125.0	487.6	1,754.2	—	2,366.8
LONG-TERM ASSETS:					
Property, plant and equipment, net	123.9	786.3	805.5	—	1,715.7
Goodwill, net	100.2	2,124.4	914.9	—	3,139.5
Investment in subsidiaries	2,463.9	1,503.0	—	(3,966.9)	—
Other	211.1	112.9	33.2	—	357.2
Total long-term assets	2,899.1	4,526.6	1,753.6	(3,966.9)	5,212.4
	$ 3,024.1	$ 5,014.2	$ 3,507.8	$ (3,966.9)	$ 7,579.2
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Short-term borrowings	$ 30.0	$ —	$ 33.2	$ —	$ 63.2
Accounts payable and drafts	138.6	690.1	1,154.2	—	1,982.9
Accrued liabilities	161.3	403.6	442.3	—	1,007.2
Current portion of long-term debt	124.7	0.6	4.2	—	129.5
Total current liabilities	454.6	1,094.3	1,633.9	—	3,182.8
LONG-TERM LIABILITIES:					
Long-term debt	2,256.8	15.6	21.5	—	2,293.9
Intercompany accounts, net	(1,563.7)	1,707.6	(143.9)	—	—
Other	317.3	171.3	54.8	—	543.4
Total long-term liabilities	1,010.4	1,894.5	(67.6)	—	2,837.3
STOCKHOLDERS' EQUITY	1,559.1	2,025.4	1,941.5	(3,966.9)	1,559.1
	$ 3,024.1	$ 5,014.2	$ 3,507.8	$ (3,966.9)	$ 7,579.2

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

	For the Three Months Ended September 28, 2002				
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
			(Unaudited)		
Net sales	$ 238.4	$ 1,791.8	$ 1,848.7	$ (541.5)	$ 3,337.4
Cost of sales	230.4	1,622.3	1,741.9	(541.5)	3,053.1
Selling, general and administrative expenses	25.5	50.6	49.3	—	125.4
Interest expense	19.8	20.6	11.2	—	51.6
Intercompany (income) expense, net	(103.5)	98.0	5.5	—	—
Other (income) expense, net	5.6	10.3	(1.3)	—	14.6
Income (loss) before provision for income taxes and equity in net (income) loss of subsidiaries	60.6	(10.0)	42.1	—	92.7
Provision for income taxes	6.6	18.1	6.4	—	31.1
Equity in net (income) loss of subsidiaries	(7.6)	36.7	—	(29.1)	—
Net income (loss)	$ 61.6	$ (64.8)	$ 35.7	$ 29.1	$ 61.6

	For the Three Months Ended September 29, 2001				
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
			(Unaudited)		
Net sales	$ 229.8	$ 1,703.5	$ 1,748.4	$ (575.0)	$ 3,106.7
Cost of sales	217.5	1,572.0	1,632.4	(575.0)	2,846.9
Selling, general and administrative expenses	32.2	49.1	41.0	—	122.3
Amortization of goodwill	0.9	14.8	6.8	—	22.5
Interest expense	33.6	16.4	10.6	—	60.6
Intercompany (income) expense, net	(81.0)	74.6	6.4	—	—
Other (income) expense, net	13.9	16.2	(2.4)	—	27.7
Income (loss) before provision (credit) for income taxes and equity in net income of subsidiaries	12.7	(39.6)	53.6	—	26.7
Provision (credit) for income taxes	(2.4)	(28.8)	42.2	—	11.0
Equity in net income of subsidiaries	(0.6)	(85.4)	—	86.0	—
Net income	$ 15.7	$ 74.6	$ 11.4	$ (86.0)	$ 15.7

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

	For the Nine Months Ended September 28, 2002				
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
			(Unaudited)		
Net sales	$ 779.3	$ 5,707.6	$ 5,873.9	$ (1,696.6)	$ 10,664.2
Cost of sales	777.0	5,169.3	5,528.3	(1,696.6)	9,778.0
Selling, general and administrative expenses	85.7	144.6	159.6	—	389.9
Interest expense	66.9	58.7	33.6	—	159.2
Intercompany (income) expense, net	(337.6)	296.4	41.2	—	—
Other expense, net	17.5	26.5	2.1	—	46.1
Income before provision for income taxes, equity in net loss of subsidiaries and cumulative effect of a change in accounting principle	169.8	12.1	109.1	—	291.0
Provision for income taxes	14.4	39.0	44.1	—	97.5
Equity in net loss of subsidiaries	260.4	10.7	—	(271.1)	—
Income (loss) before cumulative effect of a change in accounting principle	(105.0)	(37.6)	65.0	271.1	193.5
Cumulative effect of a change in accounting principle, net of tax	—	181.2	117.3	—	298.5
Net loss	$ (105.0)	$ (218.8)	$ (52.3)	$ 271.1	$ (105.0)

	For the Nine Months Ended September 29, 2001				
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
			(Unaudited)		
Net sales	$ 724.2	$ 5,548.9	$ 5,780.8	$ (1,834.2)	$ 10,219.7
Cost of sales	725.5	5,087.4	5,404.5	(1,834.2)	9,383.2
Selling, general and administrative expenses	82.8	145.0	156.7	—	384.5
Amortization of goodwill	2.7	44.7	19.8	—	67.2
Interest expense	66.7	94.5	35.2	—	196.4
Intercompany (income) expense, net	(262.2)	234.3	27.9	—	—
Other expense, net	23.0	9.1	27.0	—	59.1
Income (loss) before provision (credit) for income taxes and equity in net income of subsidiaries	85.7	(66.1)	109.7	—	129.3
Provision (credit) for income taxes	23.1	(21.8)	52.9	—	54.2
Equity in net income of subsidiaries	(12.5)	(149.4)	—	161.9	—
Net income	$ 75.1	$ 105.1	$ 56.8	$ (161.9)	$ 75.1

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

	For the Nine Months Ended September 28, 2002				
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
			(Unaudited)		
Net cash provided by operating activities	$ 204.3	$ (16.6)	$ 182.4	$ —	$ 370.1
Cash Flows from Investing Activities:					
Additions to property, plant and equipment	(13.2)	(85.3)	(74.8)	—	(173.3)
Other, net	(29.6)	31.9	5.0	—	7.3
Net cash used in investing activities	(42.8)	(53.4)	(69.8)	—	(166.0)
Cash Flows from Financing Activities:					
Senior notes	250.3	—	—		250.3
Long-term borrowings, net	(530.1)	(4.2)	(4.1)	—	(538.4)
Short-term borrowings, net	30.0	0.5	(8.9)	—	21.6
Proceeds from sale of common stock	47.4	—	—	—	47.4
Increase (decrease) in drafts	44.7	(1.4)	(13.7)	—	29.6
Other, net	0.1	—	0.5		0.6
Change in intercompany accounts	(1.4)	64.1	(62.7)	—	—
Net cash used in financing activities	(159.0)	59.0	(88.9)	—	(188.9)
Effect of foreign currency translation	—	7.1	(23.5)	—	(16.4)
Net Change in Cash and Cash Equivalents	2.5	(3.9)	0.2	—	(1.2)
Cash and Cash Equivalents at Beginning of Period	(2.1)	6.8	82.9	—	87.6
Cash and Cash Equivalents at End of Period	$ 0.4	$ 2.9	$ 83.1	$ —	$ 86.4

	For the Nine Months Ended September 29, 2001				
	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
			(Unaudited)		
Net cash provided by operating activities	$ 265.5	$ 309.8	$ 65.4	$ —	$ 640.7
Cash Flows from Investing Activities:					
Additions to property, plant and equipment	(16.0)	(54.3)	(87.1)	—	(157.4)
Net proceeds from disposition of businesses and other assets	—	44.7	—	—	44.7
Other, net	—	—	11.9	—	11.9
Net cash used in investing activities	(16.0)	(9.6)	(75.2)	—	(100.8)
Cash Flows from Financing Activities:					
Senior notes	223.4	—	—		223.4
Long-term borrowings, net	(649.8)	5.3	(44.9)	—	(689.4)
Short-term borrowings, net	(36.5)	(1.5)	(11.8)	—	(49.8)
Increase (decrease) in drafts	59.5	(49.5)	(22.4)	—	(12.4)
Change in intercompany accounts	125.8	(266.4)	140.6	—	—
Other, net	1.5	—	—	—	1.5
Net cash used in financing activities	(276.1)	(312.1)	61.5	—	(526.7)
Effect of foreign currency translation	—	3.6	(14.4)	—	(10.8)
Net Change in Cash and Cash Equivalents	(26.6)	(8.3)	37.3	—	2.4
Cash and Cash Equivalents at Beginning of Period	7.2	10.1	81.5	—	98.8
Cash and Cash Equivalents at End of Period	$ (19.4)	$ 1.8	$ 118.8	$ —	$ 101.2

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(Continued)

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

Basis of Presentation — Certain of the Company's wholly-owned subsidiaries (the "Guarantors") have irrevocably and 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 indentures governing the Company's senior notes, including the Company's obligations to pay principal, premium, if any, and interest with respect to the senior notes. The senior notes consist of $600 million aggregate principal amount of 7.96% senior notes due May 15, 2005, $800 million aggregate principal amount of 8.11% senior notes due May 15, 2009, 250 million EUR aggregate principal amount of 8.125% senior notes due 2008 and $640 million aggregate principal amount at maturity of zero-coupon convertible senior notes due 2022. The Guarantors under the indentures are Lear Operations Corporation, Lear Corporation Automotive Holdings (formerly, UT Automotive), Lear Seating Holdings Corp. #50, Lear Corporation EEDS and Interiors, Lear Corporation Automotive Systems, Lear Technologies, LLC, 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 condensed consolidating financial statements above. All supplemental guarantor condensed consolidating financial statements reflect Lear Operations Corporation, Lear Corporation Automotive Holdings, Lear Seating Holdings Corp. #50, Lear Corporation EEDS and Interiors, Lear Corporation Automotive Systems, Lear Technologies, LLC, Lear Midwest Automotive Limited Partnership, Lear Automotive (EEDS) Spain S.L. and Lear Corporation Mexico, S.A. de C.V. as Guarantors for all periods presented. 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 and Administrative Expenses — The Parent allocated $29.9 million and $27.5 million in the three months ended September 28, 2002 and September 29, 2001, respectively, and $66.5 million and $70.3 million in the nine months ended September 28, 2002 and September 29, 2001, respectively, of corporate selling 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):

	September 28, 2002	December 31, 2001
Senior notes	$ 1,902.8	$ 1,622.8
Credit agreements	156.0	714.3
Other long-term debt	54.1	60.6
	2,112.9	2,397.7
Less — current portion	(0.2)	(125.3)
	$ 2,112.7	$ 2,272.4

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

For a more detailed description of the above indebtedness, see Note 7 to the consolidated financial statements.

LEAR CORPORATION

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

OVERVIEW

We are the fifth largest automotive supplier in the world. Our sales have grown rapidly from $6.2 billion for the year ended December 31, 1996 to $13.6 billion for the year ended December 31, 2001. The major sources of this growth have been new program awards and the implementation of a strategic acquisition plan to capitalize on supplier consolidation and globalization trends in the automotive industry. Our customers are the major automotive manufacturers, including General Motors, Ford, DaimlerChrysler, BMW, Fiat, Volkswagen, Peugeot, Renault, Toyota and Subaru.

Our operations are directly related to automotive vehicle production. Automotive sales and production are cyclical and can be affected by numerous factors, including general economic conditions, labor relations issues and regulatory factors. Automotive production in North America and Western Europe declined in 2001. In 2002, we currently expect automotive production to continue its modest rebound in North America and to be similar to 2001 in Western Europe. In the fourth quarter of 2001, we began to implement a restructuring plan to consolidate our operations and align our capacity and operations with existing market conditions. As a result of this restructuring plan, we recorded pre-tax charges of $149 million.

In addition to overall automotive vehicle production, our operating results are significantly impacted by the commercial success of the vehicle platforms for which we supply products and the market share of our customers. General Motors and Ford and their respective affiliates accounted for approximately 60% of our net sales in 2001. A loss of significant business from General Motors or Ford, or a decrease in business with respect to a significant automobile model, could materially and negatively affect our operating results. In addition, Fiat, a significant customer, recently announced that it is expecting decreased production levels. A loss of significant business from Fiat could materially and negatively affect our operating results, particularly in the short-term.

Moreover, there is substantial and continuing pressure on suppliers from the automotive manufacturers to reduce costs while at the same time assuming greater responsibility for the design, development, engineering and integration of interior products. Our customers impose annual selling price reductions on most of the products we supply. Our profitability is significantly dependent on our ability to implement cost reductions in either our processes or those of our customers which offset or exceed these customer-mandated price reductions.

For a more detailed description of other factors that have or may significantly impact our business, results of operations or financial condition, please refer to "— 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 our fiscal year ended December 31, 2001.

RESULTS OF OPERATIONS

Three Months Ended September 28, 2002 vs. Three Months Ended September 29, 2001

Net sales were $3.3 billion in the third quarter of 2002 as compared to $3.1 billion in the third quarter of 2001, an increase of 7.4%. New business, increased production volumes on existing programs, net of selling price reductions, in North America and foreign exchange rate fluctuations, which favorably impacted net sales by $126 million, $100 million and $50 million, respectively, were partially offset by lower production volumes in both Western Europe and South America and the effect of our earlier period divestitures, which negatively impacted net sales by $40 million and $5 million, respectively.

Gross profit and gross margin were $284 million and 8.5% in the quarter ended September 28, 2002 as compared to $260 million and 8.4% in the quarter ended September 29, 2001. The positive impact of new business, increased North American production volumes and foreign exchange rate fluctuations, which contributed $7 million, $17 million and $2 million, respectively, to the increase in gross profit, was partially offset by the negative impact of decreased Western European and South American production volumes, which reduced gross profit by $5 million.

Selling, general and administrative expenses, including research and development, were $125 million in the three months ended September 28, 2002 as compared to $122 million in the three months ended September 29, 2001. As a percentage of net sales, selling, general and administrative expenses were 3.8% in the third quarter of 2002 and 3.9% in the third quarter of 2001.

LEAR CORPORATION

Interest expense was $52 million in the third quarter of 2002 as compared to $61 million in the third quarter of 2001. Our reduced debt balance and lower interest rates favorably impacted interest expense by $7 million and $5 million, respectively.

Other expense, which includes state and local taxes, foreign currency exchange, minority interest in consolidated subsidiaries, equity in net income of affiliates and other non-operating expenses, was $15 million in the three months ended September 28, 2002 as compared to $28 million in the three months ended September 29, 2001. During the third quarter of 2001, we recorded a redemption premium and a write-off of deferred financing fees totaling $12 million related to our 9.50% subordinated notes due 2006. Excluding this non-recurring transaction, other expense was $16 million in the three months ended September 29, 2001.

The provision for income taxes was $31 million, representing an effective tax rate of 33.5%, in the current quarter as compared to $11 million, representing an effective tax rate of 41.2%, in the same quarter a year ago. After adjusting for the redemption premium and the write-off of deferred financing fees, referred to in the previous paragraph, as well as for the impact of no longer amortizing goodwill, as required under Statement of Financial Accounting Standards (“SFAS”) No. 142, “Goodwill and Other Intangible Assets,” our effective tax rate in the quarter ended September 29, 2001 was 31.7%.

Net income in the third quarter of 2002 was $62 million, or $0.91 per diluted share, as compared to $16 million, or $0.24 per diluted share, in the third quarter of 2001. On January 1, 2002, we adopted the provisions of SFAS No. 142, which provide for the discontinuance of the amortization of goodwill. Had we discontinued the amortization of goodwill on January 1, 2001, net income in the third quarter of 2001 would have been $35 million, or $0.53 per diluted share.

Reportable Operating Segments

Certain of the financial information presented below is for our three reportable operating segments for the periods presented. These segments are: seating, which includes seat systems and the components thereof; interior, which includes flooring and acoustic systems, door panels, instrument panels, headliners and other interior products; and electronic and electrical, which includes electronic and electrical distribution systems, interior control systems and wireless systems.

Seating

Seating net sales were $2.3 billion in the third quarter of 2002 as compared to $2.1 billion in the third quarter of 2001, an increase of 7.0%. New business and increased production volumes on existing programs, net of selling price reductions, favorably impacted net sales by $108 million. Foreign exchange rate fluctuations also benefited net sales by $38 million. Operating income before amortization and operating margin before amortization were $118 million and 5.2% in the third quarter of 2002 as compared to $101 million and 4.8% in the third quarter of 2001. The positive impact of new business and increased production volumes, net of selling price reductions, contributed $10 million to the increase in operating income before amortization. Foreign exchange rate fluctuations also resulted in an increase of $1 million. These increases were partially offset by a $2 million increase in start-up expenses.

Interior

Interior net sales were $609 million in the third quarter of 2002 as compared to $569 million in the third quarter of 2001, an increase of 6.9%. New business and increased production volumes on existing programs, net of selling price reductions, favorably impacted net sales by $39 million. Foreign exchange rate fluctuations also benefited net sales by $5 million. These increases were partially offset by the effect of our divestitures, which negatively impacted net sales by $5 million. Operating income before amortization and operating margin before amortization were $34 million and 5.5% in the three months ended September 28, 2002 as compared to $46 million and 8.0% in the three months ended September 29, 2001. Selling price reductions, offset by new business and increased production volumes, negatively impacted operating income before amortization by $4 million. Operating income before amortization was also negatively impacted by an $8 million increase in start-up expenses related to several difficult European program launches and by $2 million related to foreign exchange rate fluctuations.

Electronic and Electrical

Electronic and electrical net sales were $464 million in the third quarter of 2002 as compared to $419 million in the third quarter of 2001, an increase of 10.7%. New business and increased production volumes on existing programs, net of selling price reductions, favorably impacted net sales by $38 million. Foreign exchange rate fluctuations also benefited net sales by $7 million. Operating income before amortization and operating margin before amortization were $59 million and 12.8% in the quarter ended September 28, 2002 as compared to $34 million and 8.1% in the quarter ended September 29, 2001. The positive impact of new business and increased production volumes, net of selling price reductions, contributed $13 million to the increase. Foreign exchange rate fluctuations also resulted in an increase of $3 million.

Nine Months Ended September 28, 2002 vs. Nine Months Ended September 29, 2001

Net sales were $10.7 billion in the first nine months of 2002 as compared to $10.2 billion in the first nine months of 2001, an increase of 4.3%. New business and increased production volumes on existing programs in North America, which favorably impacted net sales by $452 million and $286 million, respectively, were partially offset by lower production volumes in both Western Europe and South America, foreign exchange rate fluctuations and the effect of our earlier period divestitures, which negatively impacted net sales by $222 million, $48 million and $24 million, respectively.

Gross profit and gross margin were $886 million and 8.3% in the nine months ended September 28, 2002 as compared to $837 million and 8.2% in the nine months ended September 29, 2001. The positive impact of new business and increased North American production volumes, which contributed $24 million and $49 million, respectively, to the increase in gross profit, was partially offset by the negative impact of decreased Western European and South American production volumes and launch activity on certain European programs, which reduced gross profit by $32 million.

Selling, general and administrative expenses, including research and development, were $390 million in the first nine months of 2002 as compared to $385 million in the first nine months of 2001. As a percentage of net sales, selling, general and administrative expenses were 3.7% in the nine months ended September 28, 2002 and 3.8% in the nine months ended September 29, 2001.

Cost of goods sold and selling, general and administrative expenses for the nine months ended September 29, 2001, each included net severance costs of $5 million related to actions to reduce our cost base, which were completed during the first nine months of 2001. Approximately, 4,800 employees in our worldwide workforce were terminated during this period.

Interest expense was $159 million in the nine months ended September 28, 2002 as compared to $196 million in the nine months ended September 29, 2001. Our reduced debt balance and lower interest rates favorably impacted interest expense by $25 million and $15 million, respectively.

Other expense, which includes state and local taxes, foreign currency exchange, minority interest in consolidated subsidiaries, equity in net income of affiliates and other non-operating expenses, was $46 million in the nine months ended September 28, 2002 as compared to $59 million in the nine months ended September 29, 2001. During the first quarter of 2001, we recorded a gain of $12 million related to the sale of our Spanish wire business as well as a loss of $3 million related to the write-down of certain other assets to net realizable value. In addition, during the first nine months of 2001, we recorded a redemption premium and a write-off of deferred financing fees totaling $13 million related to our 9.50% subordinated notes due 2006 and our $2.1 billion credit agreement and recognized a discount of $13 million, of which $3 million was non-recurring, related to the transfer of accounts receivable under our asset-backed securitization facility (the “ABS facility”). Excluding these non-recurring transactions, other expense was $52 million in the nine months ended September 29, 2001.

The provision for income taxes was $98 million, representing an effective tax rate of 33.5%, in the current period as compared to $54 million, representing an effective tax rate of 41.9%, in the same period a year ago. After adjusting for the sale of our Spanish wire business, the write-down of certain other assets to net realizable value, the redemption premium, the write-off of deferred financing fees and non-recurring ABS facility and severance costs, as well as for the impact of no longer amortizing goodwill, as required under SFAS No. 142, our effective tax rate in the nine months ended September 29, 2001 was 31.8%.

Net income (loss) in the first nine months of 2002 was $(105.0) million, or $(1.57) per diluted share, as compared to $75 million, or $1.15 per diluted share, in the first nine months of 2001. On January 1, 2002, we adopted SFAS No. 142, under which goodwill is no longer amortized but is subject to annual impairment analysis. As a result of our impairment analysis, we recorded impairment charges of $310.8 million ($298.5 million after tax) as of January 1, 2002. Excluding these charges, net income in the nine months ended September 28, 2002 was $194 million, or $2.89 per diluted share. In addition, had we discontinued the amortization of goodwill on January 1, 2001, net income in the nine months ended September 29, 2001 would have been $132 million, or $2.03 per diluted share.

Reportable Operating Segments

Seating

Seating net sales were $7.3 billion in the nine months ended September 28, 2002 as compared to $7.0 billion in the nine months ended September 29, 2001, an increase of 4.3%. New business and increased production volumes on existing programs, net of selling price reductions, favorably impacted net sales by $347 million, while foreign exchange rate fluctuations negatively impacted net sales by $48 million. Operating income before amortization and operating margin before amortization were $365 million and 5.0% in the first nine months of 2002 as compared to $311 million and 4.5% in the first nine months of 2001. The positive impact of new business and increased production volumes, net of selling price reductions and start-up expenses, contributed $38 million to the increase.

Interior

Interior net sales were $1.9 billion in the first nine months of 2002 as compared to $1.8 billion in the first nine months of 2001, an increase of 3.2%. New business and increased production volumes on existing programs, net of selling price reductions, which favorably impacted net sales by $82 million, were partially offset by the effect of our earlier period divestitures, which negatively impacted net sales by $24 million. Operating income before amortization and operating margin before amortization were $108 million and 5.7% in the nine months ended September 28, 2002 as compared to $145 million and 7.8% in the nine months ended September 29, 2001. Selling price reductions, offset by new business and increased production volumes, negatively impacted operating income before amortization by $21 million. The impact of several difficult European program launches and foreign exchange rate fluctuations also reduced operating income before amortization.

Electronic and Electrical

Electronic and electrical net sales were $1.5 billion in the first nine months of 2002 as compared to $1.4 billion in the first nine months of 2001, an increase of 6.2%. New business and increased production volumes on existing programs, net of selling price reductions, favorably impacted net sales by $87 million. Operating income before amortization and operating margin before amortization were $173 million and 11.5% in the nine months ended September 28, 2002 as compared to $122 million and 8.6% in the nine months ended September 29, 2001. The positive impact of new business and increased production volumes, net of selling price reductions, contributed $24 million to the increase. Operating income before amortization also benefited by $5 million from foreign exchange rate fluctuations as well as from improved plant performance.

Restructuring and Other Charges

2001

In order to better align our operations and capacity in response to reductions in global automotive production volumes, in the fourth quarter of 2001, we began to implement a restructuring plan. This restructuring plan is designed to consolidate some of our operations and to improve overall efficiencies and our long-term competitive position. Several of these actions involve the relocation of businesses to improve factory utilization. We expect the net personnel reduction to be approximately 6,500 employees. As a result of this restructuring plan, we recorded pre-tax charges of $149 million in the fourth quarter of 2001, including $141 million recorded as cost of goods sold and $8 million recorded as selling, general and administrative expenses. Significant activities included in the restructuring plan are as follows:

- Consolidation of North and South American regions. We have implemented a plan to consolidate certain manufacturing and administrative functions in North and South America. As a result, ten manufacturing and three warehouse facilities in North America and three manufacturing facilities in South America will be closed. The charges consist of severance costs of $32 million for 3,491 employees notified prior to December 31, 2001, asset impairment charges of $24 million, lease cancellation costs of $6 million and other facility closure costs of $3 million. As of September 28, 2002, nine of the manufacturing facilities and all of the warehouse facilities were closed and 2,547 of the employees had been terminated.

  We also implemented a plan to consolidate certain administrative functions and to reduce the U.S. salaried workforce. We recorded a charge of $6 million for severance costs for 229 employees notified prior to December 31, 2001. As of September 28, 2002, 203 of the employees had been terminated.

- Consolidation of European and Rest of World regions. We have implemented a plan to consolidate certain manufacturing and administrative functions in Europe and Rest of World. As a result, five manufacturing facilities will be closed. The charges consist of severance costs of $26 million for 4,290 employees notified prior to December 31, 2001, asset impairment charges of $27 million and other facility closure costs of $7 million. As of September 28, 2002, two of the facilities were closed and 4,115 of the employees had been terminated.

In addition, we recorded a charge of $15 million for severance costs for 1,506 employees in one country under Statement of Financial Accounting Standards ("SFAS") No. 112, "Employers' Accounting for Postemployment Benefits," as we anticipate this to be the minimum aggregate severance payments that will be made in accordance with statutory requirements. As of September 28, 2002, 892 of the employees had been terminated.

We also implemented a plan to consolidate certain administrative functions and to reduce the European salaried workforce. We recorded a charge of $3 million for severance costs for 70 employees notified prior to December 31, 2001. As of September 28, 2002, 43 of the employees had been terminated.

In 2002, the savings realized as a result of the restructuring plan are expected to approximate and, as such, offset the related implementation and period costs. Beginning in 2003, we expect to realize between $50 and $60 million per year in savings as a result of the restructuring plan.

For more information relating to the restructuring charges described above, see Note 3, "Restructuring and Other Charges," to the consolidated financial statements included in this Report.

1998

In the fourth quarter of 1998, we began to implement a restructuring plan designed to reduce our cost structure and improve our long-term competitive position. As a result of this restructuring plan, the Company recorded pre-tax charges of $133 million, consisting of $111 million of restructuring charges and $23 million of other charges. This restructuring is complete. The remaining accrual of $7 million as of December 31, 2001 consists of long-term lease commitments related to closed European facilities, of which $1 million of payments were made during the first nine months of 2002.

UT Automotive

During the second quarter of 1999, we began to implement restructuring plans designed to integrate the operations of UT Automotive, Inc. ("UT Automotive"), a wholly-owned operating unit of United Technologies Corporation. As a result of these restructuring plans, we recorded adjustments to the original purchase price allocation totaling $30 million in 1999 and 2000. The plans call for the termination of 899 employees, all of whom had been terminated as of September 28, 2002, and the closure of or exit from four facilities, all of which had been closed or vacated as of September 28, 2002. The remaining severance accrual of $1 million as of December 31, 2001 was reversed through goodwill in the first quarter of 2002, as actual severance payments were less than those accrued. The remaining closure cost accrual of $2 million as of December 31, 2001 relates to costs associated with the demolition of a closed facility, of which $1 million of costs were incurred during the first nine months of 2002.

LIQUIDITY AND CAPITAL RESOURCES

Our primary liquidity needs are to fund capital expenditures, service indebtedness and support working capital requirements. Our primary sources of liquidity are cash flows from operating activities and borrowing availability under our primary 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 dividends, distributions or advances from our subsidiaries to provide the funds necessary to meet our obligations. There are no significant restrictions on the ability of our subsidiaries to pay dividends or make other distributions to Lear.

Cash Flow

Operating activities generated $370 million of cash in the first nine months of 2002 as compared to $641 million of cash during the first nine months of 2001. Excluding the net change in sales of receivables through the ABS facility and factoring arrangements, operating activities were a source of $398 million of cash in the nine months ended September 28, 2002 as compared to $342 million of cash in the nine months ended September 29, 2001. This increase was primarily the result of income before cumulative effect of a change in accounting principle, which improved by $118 million between periods, and was partially offset by a $71 million decrease in depreciation and amortization related to the implementation of SFAS No. 142. In addition, the net change in working capital items was a use of $52 million of cash in the first nine months of 2002 as compared to a use of $128 million of cash in the first nine months of 2001. Increases in accounts receivable and accounts payable were a use of $301 million of cash and a source of $111 million of cash, respectively, in the first nine months of 2002, both reflecting increased production levels in the current period. In addition, other current assets and accrued liabilities generated $193 million of cash in the first nine months of 2002, primarily as a result of the timing of payroll related payments, Mexican VAT payments, commercial settlements and interest payments, offset by the utilization of our restructuring accrual.

Investing activities resulted in cash usage of $166 million in the nine months ended September 28, 2002 as compared to $101 million in the nine months ended September 29, 2001. This increase is primarily the result of a decline in proceeds from disposition of businesses and other assets, which generated $45 million of cash in the first nine months of 2001, as well as an increase in capital expenditures, which were $173 million in the current period as compared to $157 million in the same period a year ago. We currently anticipate capital expenditures of approximately $300 million in each of 2002 and 2003.

Financing activities resulted in a cash usage of $189 million in the first nine months of the current year as compared to $527 million in the first nine months of the prior year, as the initial proceeds from the ABS facility were used to reduce debt under our primary credit facilities during the first nine months of 2001. In addition, the proceeds from the sale of common stock generated $47 million of cash in the current period.

Capitalization

We utilize a combination of committed credit facilities and long-term notes to fund our capital expenditure and base working capital requirements. For the nine months ended September 28, 2002 and September 29, 2001, our average outstanding long-term debt balances were $2.3 billion and $2.7 billion, respectively. Weighted average long-term interest rates, including rates under our committed credit facilities and the effect of hedging activities, were 6.8% and 7.4% for the respective periods.

We utilize uncommitted lines of credit to satisfy a portion of our short-term working capital requirements. For the nine months ended September 28, 2002 and September 29, 2001, our average outstanding unsecured short-term debt balances were $47 million and $33 million, respectively. Weighted average interest rates on the outstanding borrowings were 3.6% and 5.4% for the respective periods.

In February 2002, we issued $640 million aggregate principal amount at maturity of zero-coupon convertible senior notes due 2022, yielding gross proceeds of approximately $250 million. The notes are unsecured and rank equally with our other unsecured senior indebtedness, including our other senior notes. Each note of $1,000 principal amount at maturity was issued at a price of $391.06, representing a yield to maturity of 4.75%. Holders of the notes may convert their notes at any time on or before the maturity date at a conversion rate, subject to adjustment, of 7.5204 shares of our common stock per note, provided that the average per share price of our common stock for the 20 trading days immediately prior to the conversion date is at least a specified percentage, beginning at 120% and declining 1/2% each year thereafter to 110% at maturity, of the accreted value of the note, divided by the conversion rate. The notes are also convertible (1) if the long-term credit rating assigned to the notes by either Moody’s Investors Service, Inc. or Standard & Poor’s Ratings Group is reduced below Ba3 or BB-, respectively, or either ratings agency withdraws its long-term credit rating assigned to the notes, (2) if we call the notes for redemption or (3) upon the occurrence of specified other events. Under generally accepted accounting principles, the shares into which the notes are convertible will not be included in our calculation of diluted net income per share unless one of the contingent conversion triggering events, discussed above, occurs, or it is expected that we will satisfy our obligation to repurchase the notes, as discussed below, with shares of common stock. If we are required to repurchase the notes, we currently expect to purchase the notes for cash. Accordingly, the notes are not included in our calculation of diluted net income per share.

We have an option to redeem all or a portion of the convertible notes for cash at their accreted value at any time on or after February 20, 2007. Holders may require us to purchase their notes on each of February 20, 2007, 2012 and 2017, as well as upon the occurrence of a fundamental change, at their accreted value on such dates. We may choose to pay the purchase price in cash or, subject to the satisfaction of certain conditions, shares of our common stock or a combination of cash and shares of our common stock. We used the proceeds from the convertible note offering to repay indebtedness under the revolving portion of our primary credit facilities. The offering of the convertible notes was made pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended (the “Securities Act”). On June 21, 2002, a registration statement covering the resale of the notes and the common stock issuable upon their conversion was declared effective by the Securities and Exchange Commission.

In March 2001, we replaced our $2.1 billion revolving credit facility in order to extend its maturity and reduce commitments. As a result, interest rates and fees thereunder were adjusted to then-current market rates. In addition, we amended our other primary credit facilities at the same time. Our primary credit facilities now consist of a $1.7 billion amended and restated credit facility, which matures on March 26, 2006, a $500 million revolving credit facility, which matures on May 4, 2004, and a $500 million term loan, having scheduled amortization which began on October 31, 2000 and a final maturity on May 4, 2004. As of September 28, 2002, $150 million was outstanding under the term loan. On March 31, 2002, we adopted SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections," under which gains and losses associated with the extinguishment of debt are no longer classified as extraordinary. Accordingly, the write-off of deferred financing fees related to the $2.1 billion revolving credit facility, which totaled approximately $1.0 million ($0.6 million after tax), is reflected as other expense, net in the accompanying consolidated statement of income for the nine months ended September 29, 2001.

Our primary credit facilities provide for scheduled term loan repayments of $75 million in 2003 and 2004. In addition, scheduled cash interest payments on our outstanding senior notes are $66 million in the last three months of 2002, $133 million in 2003 and $133 million in 2004. Accretion of interest on our zero-coupon convertible senior notes is reflected as an increase in the accreted value of the notes.

In March 2001, we issued 8.125% senior notes due 2008 (the "Eurobonds") in an aggregate principal amount of 250 million EUR (approximately $245 million based on the exchange rate in effect as of September 28, 2002). The offering of the Eurobonds was not registered under the Securities Act. On November 13, 2001, the Company completed an exchange offer of the Eurobonds for substantially identical notes registered under the Securities Act.

As of September 28, 2002, we had $156 million outstanding under our primary credit facilities and $39 million committed under outstanding letters of credit, resulting in more than $2.0 billion of unused availability under our primary credit facilities. In addition to debt outstanding under our primary credit facilities, we had $2.0 billion of debt, including short-term borrowings, outstanding as of September 28, 2002, consisting primarily of $1.4 billion of senior notes due between 2005 and 2009, $257 million of zero-coupon convertible senior notes due 2022 and 250 million EUR (approximately $245 million based on the exchange rate in effect as of September 28, 2002) of senior notes due 2008.

Our primary credit facilities contain operating and financial covenants that, among other things, could limit our ability to obtain additional sources of capital. The primary credit facilities are guaranteed by certain of our significant subsidiaries and secured by the pledge of all or a portion of the capital stock of certain of our significant subsidiaries. Our senior notes are guaranteed by the same subsidiaries that guarantee our primary credit facilities.

In August 2001, we redeemed our 9.50% subordinated notes due 2006. The redemption was made at 104.75% of the aggregate principal amount of the notes. In May 2001, we redeemed our 8.25% subordinated notes due 2002. The redemption was made at par. The redemptions were financed through borrowings under our primary credit facilities. The redemption premium and the write-off of deferred financing fees related to the 9.50% subordinated notes due 2006 totaled approximately $12.0 million ($7.3 million after tax), which is reflected as other expense, net in the accompanying consolidated statement of income for the nine months ended September 29, 2001 in accordance with SFAS No. 145.

We have in place an ABS facility which, prior to November 2002, provided for maximum purchases of adjusted accounts receivable of $300 million, of which $257 million were purchased as of September 28, 2002. In November 2002, the ABS facility was amended to, among other things, extend the termination date to November 2003 and to reduce the maximum purchases of adjusted accounts receivable to $260 million. The level of funding utilized under this facility is based on the credit ratings of our major customers. Due to recent declines in the credit ratings of two of these customers, our expected average utilization of the ABS facility will be reduced to approximately $175 million. Should our 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 seek to utilize other available credit facilities to replace the funding currently provided by the ABS facility.

In addition, several of our European subsidiaries factor their accounts receivable with financial institutions subject to limited recourse provisions. The amount of such factored receivables, which is not included in accounts receivable, was $177 million and $184 million as of September 28, 2002 and December 31, 2001, respectively. We cannot provide any assurances that these factoring facilities will be available or utilized in the future.

We believe that cash flows from operations and available credit facilities will be sufficient to meet our anticipated debt service obligations, projected capital expenditures and working capital requirements.

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 forward foreign exchange contracts are executed with banks that we believe are creditworthy. The gains and losses relating to the forward foreign exchange contracts are deferred and included in the measurement of the foreign currency transaction subject to the hedge. Any gain or loss incurred related to a forward foreign exchange contract is generally offset by the direct effects of currency movements on the underlying transactions.

Our most significant foreign currency transactional exposures relate to Canada, the European Monetary Union and Mexico. We have performed a quantitative analysis of our overall currency rate exposure as of September 28, 2002. The potential adverse earnings impact from a hypothetical 10% weakening of the U.S. dollar relative to all other currencies for a twelve-month period is approximately $12 million.

As of September 28, 2002, contracts representing $1.6 billion of notional amount were outstanding with maturities of less than 15 months. The fair value of these foreign exchange contracts as of September 28, 2002 was approximately $(19) million. A 10% change in exchange rates would result in a $12 million change in market value.

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. In reality, some currencies may weaken while others may strengthen causing the earnings impact to increase or decrease depending on the currency and the direction of the rate movement.

In addition to the above transactional exposure, our operating results are impacted by the translation of our foreign operating income into U.S. dollars ("translation exposure"). We do not enter into foreign currency contracts to mitigate this exposure.

Interest Rates

We use a combination of fixed and variable rate debt and interest rate swap contracts to manage our exposure to interest rate movements. Our exposure to variable interest rates on outstanding floating rate debt instruments indexed to U.S. or European Monetary Union short-term money market rates is partially managed by the use of interest rate swap agreements to convert variable rate debt to fixed rate debt, matching effective and maturity dates to specific debt instruments. These interest rate derivative 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 swaps are recorded as adjustments to interest expense in our consolidated statements of income on an accrual basis.

We have performed a quantitative analysis of our overall interest rate exposure as of September 28, 2002. This analysis assumes an instantaneous 100 basis point parallel shift in interest rates at all points of the yield curve. The potential adverse earnings impact from this hypothetical increase for a twelve-month period is approximately $5 million.

As of September 28, 2002, contracts representing $1.0 billion of notional amount were outstanding with maturity dates of June 2003 through May 2005. Of these contracts, $0.7 billion swap variable rate debt for fixed rate debt and $0.3 billion swap fixed rate debt for variable rate debt. The fair value of these interest rate swap agreements is subject to changes in value due to changes in interest rates. The fair value of outstanding interest rate swap agreements as of September 28, 2002 was approximately $(6) million. A 100 basis point parallel increase or decrease in interest rates would not significantly affect the aggregated market value of these instruments.

OTHER MATTERS

Environmental Matters

We are subject to local, state, federal and foreign laws, regulations and ordinances, which govern activities or operations that may have adverse environmental effects and which impose liability for the costs of cleaning up certain damages resulting from past spills, disposal or other releases of hazardous wastes and environmental compliance. Our policy is to comply with all applicable environmental laws and to maintain procedures 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 wastes at certain sites owned, leased or operated by us, including several properties acquired in the UT Automotive acquisition. 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 possible environmental liabilities from United Technologies Corporation in connection with our acquisition of UT Automotive. While we do not believe that the environmental liabilities associated with our current and former properties will have a material adverse effect on our business, consolidated financial position or results of future operations, no assurances can be given in this regard.

Significant Accounting Policies

Pre-Production Costs Related to Long-Term Supply Arrangements

We incur pre-production engineering, research and development ("ER&D") and tooling costs related to the products produced for our customers under long-term supply agreements. We expense all pre-production ER&D costs for which reimbursement is not contractually guaranteed by the customer. In addition, we expense 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 noncancelable right to use the tooling. During the first nine months of 2002 and 2001, we capitalized $105 million and $68 million, respectively, of pre-production ER&D costs for products to be supplied under long-term supply agreements for which reimbursement is contractually guaranteed by the customer and $297 million and $145 million, respectively, of pre-production tooling costs for products to be supplied under long-term supply agreements related to Lear-owned tools as well as customer-owned tools for which reimbursement is contractually guaranteed by the customer or for which the customer has provided a noncancelable right to use the tooling.

Revenue Recognition and Sales Commitments

We recognize revenues as our products are shipped to our customers. We enter into agreements with our customers at the beginning of a given vehicle's life. Once we enter into such agreements, fulfillment of our customers' purchasing requirements is our obligation for the entire production life of the vehicle, with terms of up to 10 years. These agreements generally may be terminated by our customer (but not by us) at any time. Historically, terminations of these agreements have been minimal. In certain instances, we may be committed under existing agreements to supply product to our customers at selling prices which are not sufficient to cover the direct cost to produce such product. In such situations, we record a liability for the estimated future amount of such losses. Such losses are recognized at the time that the loss is probable and reasonably estimable and are recorded at the minimum amount necessary to fulfill our obligations to our customers. Losses are determined on a separate agreement basis and are estimated based upon information available at the time of the estimate, including future production volume estimates, the length of the program, the selling price and production cost information. On a quarterly basis, we evaluate the adequacy of the loss contract accruals recorded and make adjustments as necessary.

In previous years, we recorded loss contract accruals in purchase accounting in conjunction with the Lear-Donnelly acquisition, the UT Automotive acquisition, the Peregrine acquisition and the Delphi acquisition. These loss contract accruals were not recorded in the historical operating results of Lear-Donnelly, UT Automotive, Peregrine or Delphi. The losses included in the accrual have not been, and will not be, included in our operating results since the respective acquisition dates. Further, our future operating results will benefit from accruing these contract losses in the related purchase price allocations. A summary of the loss contract accrual activity related to these acquisitions is shown below (in millions):

	Accrual at December 31, 2001	Utilized	Accrual at September 28, 2002
Lear-Donnelly	$ 2.1	$ (2.1)	$ —
UT Automotive	8.2	(2.8)	5.4
Peregrine	3.3	(2.8)	0.5
Delphi	15.7	(1.2)	14.5

During the first nine months of 2001, we utilized $3.0 million, $2.2 million, $3.5 million and $3.7 million of the loss contract accruals related to the Lear-Donnelly, UT Automotive, Peregrine and Delphi acquisitions, respectively.

Amounts billed to customers related to shipping and handling are included in net sales in our consolidated statements of income. Shipping and handling costs are included in cost of sales in our consolidated statements of income.

Goodwill and Other Intangible Assets

On January 1, 2002, we adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." Under this statement, goodwill is no longer amortized but is subject to annual impairment analysis. Goodwill amortization for the year ended December 31, 2001 was $90 million. In addition, our initial impairment analysis compared the fair values of each of our reporting units, based on discounted cash flow analyses, to the related net book values. As a result, we recorded impairment charges of $310.8 million ($298.5 million after tax) as of January 1, 2002. These charges are reflected as a cumulative effect of a change in accounting principle, net of tax in the accompanying consolidated statement of income for the nine months ended September 28, 2002.

Accounting for Stock-Based Compensation

We currently apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations in accounting for our stock option plans. Accordingly, compensation cost is calculated as the difference between the exercise price of the option and the market value of the stock at the date the option was granted. We intend to adopt the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," effective January 1, 2003, under which compensation cost for subsequent stock option grants will be determined based on the fair value of the option at the date the option is granted. The resulting compensation cost will be amortized over the vesting period of the option. In 2003, we expect the adoption of SFAS No. 123 to reduce net income per share by approximately $0.07 per share, assuming a similar mid-year option grant, consistent with prior years.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires 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. Generally, assets and liabilities subject to estimation and judgment include amounts related to unsettled pricing discussions with customers and suppliers, loss contract accruals, warranty accruals, pension and other postretirement costs, plant consolidation and reorganization reserves, self-insurance accruals, asset valuation reserves and accruals related to litigation and environmental remediation costs. Management does not believe that the ultimate settlement of any such assets or liabilities will materially affect our financial position or results of future operations.

Recently Issued Accounting Pronouncements

Costs Associated with Exit or Disposal Activities

The Financial Accounting Standards Board ("FASB") has issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which is effective for all exit and disposal activities initiated after December 31, 2002. This statement requires that a liability for costs associated with an exit or disposal activity be recognized when the liability is incurred. Such costs include one-time employee termination costs, contract cancellation provisions and other costs typically associated with a corporate restructuring or other exit or disposal activities. We do not expect the effects of adoption to be significant.

Outlook

Fourth Quarter and Full Year Outlook

For the fourth quarter, we anticipate net sales to be up 5% to 7% compared with a year ago, reflecting higher vehicle production in North America and the addition of new business globally, offset by lower vehicle production in Western Europe. We expect earnings per share in the range of $1.52 to $1.67. We estimate capital spending of approximately $125 million and free cash flow to be in the range of $75 to $125 million. Free cash flow is defined as cash flows from operating activities before sales of receivables, less capital expenditures. For the full year, we anticipate vehicle production volume for North America of about 16.5 million units and vehicle production volume for Western Europe in the range of 15.7 million to 15.9 million units. At these production levels, we expect earnings per share in the range of $4.40 to $4.55, excluding the goodwill impairment charge recorded earlier this year. We estimate full year capital spending to be about $300 million and full year free cash flow to be in the range of $300 to $350 million.

Preliminary 2003 Outlook

Our initial planning assumption for North American vehicle production is approximately 16.0 million units. For Western Europe and South America, we see industry production in line with 2002. Within this production environment, worldwide net sales are expected to grow by approximately 4% to 6%, primarily reflecting the addition of new business globally. We also see our operating margins continuing to improve. We expect a tax rate of 32%, average shares outstanding for the year of 68.5 million and capital spending of approximately $300 million. We anticipate free cash flow to be up from 2002, allowing for continued debt reduction. Interest expense is expected to be approximately $200 million for the year. We anticipate earnings per share growth of between 10% to 15% compared with 2002.

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,” and “estimates,” and similar expressions identify these forward-looking statements. All statements contained or incorporated in the Report which address operating performance, events or developments that we expect or anticipate may occur in the future, including statements under the heading “ — Outlook” above and other statements related to volume growth, awarded sales contracts and earning per share growth or statements expressing general optimism about future operating results, are forward-looking statements. Principal important factors, risks and uncertainties that may cause actual results to differ from those expressed in our forward-looking statements are, including but not limited to:

- general economic conditions in the market in which we operate,
- fluctuation in worldwide or regional automotive and light truck production,
- financial or market declines of our customers,
- labor disputes involving us or our significant customers or that could otherwise affect our operations,
- changes in practices and/or policies of our significant customers toward outsourcing automotive components and systems,
- our success in achieving cost reductions that offset or exceed customer-mandated selling price reductions,
- liabilities arising from legal proceedings to which we are or may become a party or claims against us or our products,
- increases in our warranty costs,
- fluctuations in currency exchange rates,
- increases in interest rates,
- changes in technology and technological risks,
- adverse changes in economic conditions or political instability in the jurisdictions in which we operate,
- competitive conditions impacting our key customers,
- increases in energy or raw material costs,
- raw materials shortages, and
- other risks, described from time to time in our other Securities and Exchange Commission filings.

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

ITEM 4 — CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Within the 90 days prior to the date of this Form 10-Q, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's President and Chief Executive Officer along with the Company's Senior Vice President and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based upon that evaluation, the Company's President and Chief Executive Officer along with the Company's Senior Vice President and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective.

(b) Changes in Internal Controls

There have been no significant changes in the Company's internal controls or in other factors which could significantly affect internal controls subsequent to the date the Company carried out its evaluation.

PART II — OTHER INFORMATION

ITEM 6 — EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

99.1	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.
99.2	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.

(b) Reports on Form 8-K filed during the quarter ended September 28, 2002.

On August 9, 2002, the Company filed a Current Report on Form 8-K dated August 8, 2002, reporting that its Board of Directors had (1) approved an amendment to the Company's by-laws to increase the maximum number of directors who can serve on the Board of Directors from eleven to fourteen directors and (2) appointed David E. Fry and Conrad L. Mallett, Jr. to fill vacancies on the Board of Directors.

On August 12, 2002, the Company filed a Current Report on Form 8-K dated August 9, 2002, reporting that each of the Chief Executive Officer, Robert E. Rossiter, and the Chief Financial Officer, David C. Wajsgras, of the Company submitted to the Securities and Exchange Commission sworn statements pursuant to Securities and Exchange Commission Order No. 4-460.

LEAR CORPORATION

SIGNATURES

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

LEAR CORPORATION

Dated: November 8, 2002	By:	/s/ Robert E. Rossiter
		Robert E. Rossiter President and Chief Executive Officer
	By:	/s/ David C. Wajsgras
		David C. Wajsgras Senior Vice President and Chief Financial Officer
	By:	/s/ William C. Dircks
		William C. Dircks Vice President and Corporate Controller

LEAR CORPORATION

I, Robert E. Rossiter, Chief Executive Officer of Lear Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lear Corporation;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: November 8, 2002

By: /s/ Robert E. Rossiter

Robert E. Rossiter
President and Chief Executive Officer

LEAR CORPORATION

I, David C. Wajsgras, Chief Financial Officer of Lear Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lear Corporation;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: November 8, 2002

By: /s/ David C. Wajsgras

David C. Wajsgras
Senior Vice President and Chief Financial Officer

Exhibit Index

Exhibit No.	Description
99.1	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.
99.2	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.

EXHIBIT 99.1

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 September 28, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, as the Chief Executive Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2002

Signed: /s/ Robert E. Rossiter

Robert E. Rossiter
Chief Executive Officer

EXHIBIT 99.2

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 September 28, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, as the Chief Financial Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2002

Signed: /s/ David C. Wajsgras

David C. Wajsgras
Chief Financial Officer