LEAR CORP /DE/

FORM 10-Q
(Quarterly Report)

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Sector	Consumer Cyclical
Fiscal Year	12/31

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

**[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended SEPTEMBER 26, 1998

OR

**[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .

COMMISSION FILE NUMBER: 1-11311

LEAR CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	13-3386776
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

21557 TELEGRAPH ROAD, SOUTHFIELD, MI 48086-5008
(Address of principal executive offices) (zip code)

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

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

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, 1998: 66,681,084

LEAR CORPORATION

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 26, 1998

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LEAR CORPORATION

PART I - FINANCIAL INFORMATION

ITEM 1 - CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION TO THE CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements of Lear Corporation and subsidiaries (the "Company") have been prepared by Lear Corporation, 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. The Company believes 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 the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission for the period ended December 31, 1997.

The financial information presented reflects all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, 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 26, 1998 (Unaudited)	December 31, 1997
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 32.7	$ 12.9
Accounts receivable, net	1,299.2	1,065.8
Inventories	332.7	231.4
Recoverable customer engineering and tooling	227.3	152.6
Other	173.6	152.2
	2,065.5	1,614.9
LONG-TERM ASSETS:		
Property, plant and equipment, net	1,132.1	939.1
Goodwill, net	2,002.0	1,692.3
Other	279.7	212.8
	3,413.8	2,844.2
	$5,479.3	$4,459.1
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings	$ 45.9	$ 37.9
Accounts payable	1,473.7	1,186.5
Accrued liabilities	767.2	620.5
Current portion of long-term debt	10.8	9.1
	2,297.6	1,854.0
LONG-TERM LIABILITIES:		
Deferred national income taxes	71.1	61.7
Long-term debt	1,466.3	1,063.1
Other	334.7	273.3
	1,872.1	1,398.1
STOCKHOLDERS' EQUITY:		
Common stock, $.01 par value, 150,000,000 authorized; 67,190,489 issued at September 26, 1998 and 66,872,188 issued at December 31, 1997	.7	.7
Additional paid-in capital	855.2	851.9
Notes receivable from sale of common stock	(.1)	(.1)
Less- Common stock held in treasury at cost 510,230 shares at September 26, 1998 and 10,230 shares at December 31, 1997	(18.3)	(.1)
Retained earnings	535.9	401.3
Minimum pension liability adjustment	(.5)	(.5)
Cumulative translation adjustment	(63.3)	(46.2)
	1,309.6	1,207.0
	$5,479.3	$4,459.1

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

LEAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED, IN MILLIONS, EXCEPT PER SHARE DATA)

	Three Months Ended		Nine Months Ended	
	September 26, 1998	September 27, 1997	September 26, 1998	September 27, 1997
Net sales	$1,946.5	$1,635.9	$6,153.6	$5,199.2
Cost of sales	1,784.5	1,460.6	5,559.8	4,632.5
Selling, general and administrative expenses	80.1	71.2	238.6	204.5
Amortization of goodwill	12.8	10.3	35.8	29.7
Operating income	69.1	93.8	319.4	332.5
Interest expense	29.0	22.7	79.2	76.6
Other expense, net	4.5	8.6	18.0	21.4
Income before provision for national income taxes and extraordinary item	35.6	62.5	222.2	234.5
Provision for national income taxes	14.0	25.9	87.6	94.9
Net income before extraordinary item	21.6	36.6	134.6	139.6
Extraordinary loss on early extinguishment of debt	-	(1.0)	-	(1.0)
Net income	$ 21.6	$ 35.6	$ 134.6	$ 138.6
Basic net income per share:				
Income before extraordinary item	$ .32	$ .55	$ 2.01	$ 2.11
Extraordinary loss	-	(.01)	-	(.01)
Basic net income per share	$ .32	$ .54	$ 2.01	$ 2.10
Diluted net income per share:				
Income before extraordinary item	$ .32	$ .53	$ 1.97	$ 2.04
Extraordinary loss	-	(.01)	-	(.01)
Diluted net income per share	$ .32	$ .52	$ 1.97	$ 2.03

The accompanying notes are an integral part of these statements.

LEAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED, IN MILLIONS)

	Nine Months Ended	
	September 26, 1998	September 27, 1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$134.6	$138.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	163.7	133.0
Extraordinary loss	-	1.0
Other, net	(55.0)	(10.9)
Change in working capital items, net	(46.6)	(40.7)
Net cash provided by operating activities	196.7	221.0
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(236.9)	(113.1)
Acquisitions, net of cash acquired	(307.5)	(348.1)
Other, net	1.8	1.4
Net cash used in investing activities	(542.6)	(459.8)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in long-term debt, net	398.2	180.4
Change in cash overdrafts, net	(2.4)	36.6
Short-term borrowings, net	7.7	4.8
Proceeds from sale of common stock	3.3	1.4
Purchase of treasury stock	(18.2)	-
Other, net	-	(3.9)
Net cash provided by financing activities	388.6	219.3
Effect of foreign currency translation	(22.9)	2.4
NET CHANGE IN CASH AND CASH EQUIVALENTS	19.8	(17.1)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	12.9	26.0
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 32.7	$ 8.9
CHANGES IN WORKING CAPITAL, NET OF IMPACT OF ACQUISITIONS:		
Accounts receivable	$(160.4)	$(106.6)
Inventories	(52.5)	1.8
Accounts payable	210.6	17.0
Accrued liabilities and other	(44.3)	47.1
	$ (46.6)	$ (40.7)
SUPPLEMENTARY DISCLOSURE:		
Cash paid for interest	$ 86.8	$ 88.2
Cash paid for income taxes	$ 73.1	$ 78.6

The accompanying notes are an integral part of these 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, a Delaware corporation, and its wholly-owned and majority-owned subsidiaries. Investments in less than majority-owned businesses are generally accounted for under the equity method. Certain items in prior year's quarterly financial statements have been reclassified to conform with the presentation used in the quarter ended September 26, 1998.

(2) ACQUISITIONS

Delphi Seating

In September, 1998, the Company purchased the seating business of Delphi Automotive Systems, a division of General Motors Corporation ("Delphi Seating"), for approximately $250 million. Delphi Seating is a leading supplier of seat systems to General Motors with 16 locations in 10 countries.

The Delphi Seating acquisition was accounted for as a purchase, and accordingly, the assets purchased and liabilities assumed in the acquisition have been reflected in the accompanying consolidated balance sheets and the operating results of Delphi Seating have been included in the consolidated financial statements since the date of acquisition.

The following pro forma financial data is presented to illustrate the estimated effects of the Delphi Seating acquisition, as if the transaction had occurred as of January 1, 1997.
(Unaudited; in millions, except per share data):

	Three Months Ended		Nine Months Ended	
	September 26, 1998	September 27, 1997	September 26, 1998	September 27, 1997
Net sales	$2,113.7	$1,889.3	$6,822.6	$5,959.5
Net income before extraordinary item	17.1	27.2	116.9	111.0
Net income	17.1	26.2	116.9	110.0
Diluted net income per common share before extraordinary item	0.25	0.39	1.71	1.62
Diluted net income per common share	0.25	0.38	1.71	1.61

The pro forma information above does not purport to be indicative of the results that actually would have been achieved if the operations were combined during the periods presented, and is not intended to be a projection of future results or trends.

Chapman

In May, 1998, the Company acquired the A.W Chapman Ltd. and A.W. Chapman Belgium NV subsidiaries ("Chapman") of the Rodd Group Limited. Chapman produces seat tracks, mechanisms and seat height adjusters at plants in Bicester and Shepperton in the U.K. and in Houthhalen, Belgium.

Pianfei

In May, 1998, the Company acquired Gruppo Pianfei S.r.L. ("Pianfei"). Pianfei produces door panels, headliners and plastic interior components at six facilities located throughout Italy.

Strapazzini

In May, 1998, the Company acquired Strapazzini Resine S.r.L. ("Strapazzini"). Strapazzini produces instrument panels, door panels, sunshades, consoles and pillar trim at two facilities located in Italy.

(3) INVENTORIES

Inventories are stated at the lower of cost or market. Cost is determined principally using the first-in, first-out method. Finished goods and work-in-process inventories include material, labor and manufacturing overhead costs. Inventories are comprised of the following (in millions):

	September 26, 1998	December 31, 1997
Raw materials	$240.6	$165.7
Work-in-process	28.5	22.5
Finished goods	63.6	43.2
	$332.7	$231.4

(4) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost. Depreciable property is depreciated over the estimated useful lives of the assets, using principally the straight-line method. A summary of property, plant and equipment is shown below (in millions):

	September 26, 1998	December 31, 1997
Land	$ 66.5	$ 60.5
Buildings and improvements	397.1	345.9
Machinery and equipment	1,218.7	974.2
Total property, plant and equipment	1,682.3	1,380.6
Less accumulated depreciation	(550.2)	(441.5)
Net property, plant and equipment	$1,132.1	$ 939.1

(5) LONG-TERM DEBT

Long-term debt is comprised of the following (in millions):

	September 26, 1998	December 31, 1997
Credit agreement	$ 963.8	$ 647.7
Other	177.3	88.5
	1,141.1	736.2
Less- Current portion	(10.8)	(9.1)
	1,130.3	727.1
9 1/2% Subordinated Notes	200.0	200.0
8 1/4% Subordinated Notes	136.0	136.0
	$1,466.3	$1,063.1

(6) FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments selectively to offset exposures to market risks arising from changes in foreign exchange rates and interest rates. Derivative financial instruments currently utilized by the Company primarily include forward foreign exchange contracts and interest rate swaps.

Certain foreign currency contracts entered into by the Company qualify for hedge accounting as only firm foreign currency commitments are hedged. Gains and losses from these contracts are deferred and generally recognized in cost of sales as of the settlement date. Other foreign currency contracts entered into by the Company, which do not receive hedge accounting treatment, are marked to market with unrealized gains or losses recognized in other expense in the income statement. Interest rate swaps are accounted for by recognizing interest expense and interest income in the amount of anticipated interest payments.

(7) FINANCIAL ACCOUNTING STANDARDS

Earnings per Share

In 1997, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share," which was effective December 15, 1997. The statement changes the calculation of earnings per share to be more consistent with countries outside of the United States. In general, the statement requires two calculations of earnings per share to be disclosed, basic EPS and diluted EPS. Basic EPS is computed using only weighted average shares outstanding. Diluted EPS is computed using the average share price for the period when calculating the dilution of stock options. Net income per share information has been restated for all periods presented. Shares outstanding for the periods presented were as follows:

	Three Months Ended		Nine Months Ended	
	September 26, 1998	September 27, 1997	September 26, 1998	September 27, 1997
Weighted average shares outstanding	67,066,641	66,505,443	67,041,616	66,121,201
Dilutive effect of stock options	1,094,591	1,876,065	1,222,966	2,048,858
Diluted shares outstanding	68,161,232	68,381,508	68,264,582	68,170,059

Comprehensive Income

In the first quarter of 1998, the Company adopted SFAS No. 130, "Reporting Comprehensive Income," which establishes standards for the reporting and display of comprehensive income. Comprehensive income is defined as all changes in a Company's net assets except changes resulting from transactions with shareholders. It differs from net income in that certain items currently recorded to equity would be a part of comprehensive income. Comprehensive income for the periods is as follows (in millions):

	Three Months Ended		Nine Months Ended	
	September 26, 1998	September 27, 1997	September 26, 1998	September 27, 1997
Net income	21.6	35.6	134.6	138.6
Other comprehensive income:				
Foreign currency translation adjustment	(12.4)	(18.1)	(17.1)	(45.1)
Minimum pension liability adjustment	-	-	-	-
Other comprehensive income	(12.4)	(18.1)	(17.1)	(45.1)
Comprehensive income	9.2	17.5	117.5	93.5

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

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 26, 1998 VS. THREE MONTHS ENDED SEPTEMBER 27, 1997.

Net sales increased by 19.0% to $1.9 billion in the third quarter of 1998 as compared to $1.6 billion in the third quarter of 1997. Net sales for the quarter ended September 26, 1998 benefited from acquisitions, which collectively accounted for $323 million of the increase and new business introduced in North America and Europe. Partially offsetting the increase in sales were reduced market demand on certain mature programs and the adverse impact of the General Motors work stoppage in North America.

Net sales in the United States and Canada of $1.1 billion in the third quarter of 1998 exceeded the comparable period in the prior year by $69 million, or 6.7%. Net sales in the current quarter benefited from new truck and passenger car programs introduced by domestic automotive manufacturers and $119 million from acquisitions. The General Motors work stoppage adversely impacted net sales by approximately $100 million in the third quarter of 1998. Also offsetting the increase in net sales were reduced volumes on mature programs.

Net sales in Europe of $.6 billion in the third quarter of 1998 exceeded the comparable period in the prior year by $228 million, or 55.9%. Net sales in the current quarter benefited by $185 million from acquisitions. The remaining increase in net sales was the result of new passenger car programs, partially offset by reduced volumes on certain mature programs and foreign exchange fluctuations.

Net sales of $.2 billion in the remaining geographic regions in which the Company operates, consisting of Mexico, South America, the Asia/Pacific Rim region and South Africa, increased by $13 million, or 6.9%, as compared to the third quarter of 1997 primarily due to acquisitions.

Gross profit and gross margin were $162 million and 8.3% for the third quarter of 1998 as compared to $175 million and 10.7% for the third quarter of 1997. Gross profit and gross margin in the third quarter of 1998 declined in relation to prior year due to the impact of the General Motors work stoppage and business expansion costs in many of the regions of the world. Partially offsetting the decrease in gross profit was the contribution of acquisitions.

Selling, general and administrative expenses, including research and development, decreased as a percentage of net sales to 4.1% in the third quarter of 1998 as compared to 4.4% in the prior period. The increase in actual expenditures was due to the integration of engineering and administrative expenses from acquisitions and research, development and administrative expenses required to support existing and potential new business opportunities.

Interest expense increased by $6 million to $29 million in the third quarter of 1998. The increase in interest expense is due to interest on borrowings incurred to finance acquisitions.

Other expenses for the three months ended September 26, 1998, which include state and local taxes, foreign exchange, minority interests in consolidated subsidiaries, equity in net income of affiliates and other non-operating expenses, decreased by $4 million to $5 million primarily due to reduced state and local taxes.

Net income for the third quarter of 1998 was $22 million, or $.32 per share, as compared to $36 million, or $.52 per share in the third quarter of 1997. The decrease in earnings per share of $.20 was primarily caused by the General Motors work stoppage. The provision for income taxes in the current quarter was $14 million, or an effective tax rate of 39.3%, as compared to $26 million, or an effective tax rate of 41.4%, in the prior period.

NINE MONTHS ENDED SEPTEMBER 26, 1998 VS. NINE MONTHS ENDED SEPTEMBER 27, 1997.

Net sales increased by 18.4% to $6.2 billion for the first nine months of 1998 as compared to $5.2 billion for the first nine months of 1997. The increase in net sales of $954 million was primarily the result of acquisitions, which collectively accounted for $842 million of the increase. The remaining increase in net sales was the result of new business introduced in North America and Europe, partially offset by the net impact of customer work stoppages in North America and reduced market demand for certain mature programs.

Net sales in the United States and Canada of $3.6 billion in the first nine months of 1998 exceeded the comparable period in the prior year by $237 million, or 7.0%. Net sales during the nine months ended September 26, 1998 benefited by $197 million from acquisitions. Increases in new domestic truck and passenger car programs were partially offset by lower build schedules on certain mature programs. Customer work stoppages had a net adverse impact on net sales of approximately $100 million in the first nine months of 1998 as compared to the same period in 1997.

Net sales in Europe of $1.9 billion in the first nine months of 1998 exceeded the comparable period in the prior year by $614 million or 47.0%. Net sales for the nine months of 1998 benefited by $567 million from acquisitions. Increases in new passenger car programs were partially offset by unfavorable exchange rate fluctuations in Italy, Germany and Sweden.

Net sales of $.6 billion in the remaining geographic regions in which the Company operates, consisting of Mexico, South America, the Asia/Pacific Rim region and South Africa, increased by $104 million as compared to the nine months ended September 27, 1997. Acquisitions contributed $77 million of the increase with the remainder coming primarily from new programs in these regions.

Gross profit and gross margin were $594 million and 9.6% for the first nine months of 1998 as compared to $567 million and 10.9% in the comparable period in 1997. Gross profit in 1998 reflects the contribution of acquisitions and the overall growth in production volume on passenger car and truck seat programs by domestic and foreign automotive manufacturers. Partially offsetting the increase in gross profit was the net impact of customer work stoppages during the first nine months of 1998.

Selling, general and administrative expenses, including research and development, for the nine months ended September 26, 1998 remained unchanged at 3.9% as a percentage of net sales as compared to the same period in the prior year. Actual expenditures increased due to the integration of engineering and administrative expenses of acquired businesses.

For the nine months ended September 26, 1998, interest expense increased by $3 million to $79 million over the comparable period in 1997 due to interest on borrowings incurred to finance acquisitions.

Other expenses for the nine months ended September 26, 1998, which include state and local taxes, foreign exchange, minority interests in consolidated subsidiaries, equity in net income of affiliates and other non-operating expenses, decreased to $18 million from $21 million in the comparable period in 1997 due to reduced state and local taxes.

Net income for the first nine months of 1998 was $135 million or $1.97 per share as compared to $139 million, or $2.03 per share, in the comparable period in 1997. Earnings per share for 1998 were adversely affected by approximately $.35 per share due to the General Motors work stoppage. The provision for income taxes in the first nine months of 1998 was $88 million, or an effective tax rate of 39.4%, as compared to $95 million, or an effective tax rate of 40.5%, in the prior year.

During October 1998, the Company announced it plans to take a one-time charge, primarily related to its international operations, of approximately $125 million in the fourth quarter of 1998 as plans are finalized. The charge is for plant consolidations and rationalizations as a result of facilities added over the last several years primarily through acquisitions.

LIQUIDITY AND FINANCIAL CONDITION

Net cash provided by operating activities was $197 million during the first nine months of 1998 compared to $221 million for the same period in 1997. Net income, which remained relatively constant between periods, included non-cash depreciation and goodwill amortization charges of $164 million in 1998 and $133 million in 1997. The increase in depreciation and amortization was primarily due to the full year acquisition effect of Keiper Car Seating GmbH & Co. and certain of its subsidiaries and affiliates (collectively, "Keiper Seating"). The decrease in net cash provided by operating activities resulted from additional reimbursable customer tooling on new programs.

Net cash used in investing activities increased to $543 million in the first nine months of 1998 versus $460 million in 1997. The increase in funds used for investing activities was the result of higher capital expenditures, partially offset by funds used for acquisitions in 1998. Capital expenditures in 1998 were primarily to support new and replacement programs. The Company currently anticipates approximately $100 million in additional capital expenditures during the remainder of 1998. During the quarter the Company repurchased 500,000 shares of its outstanding common stock.

On May 26, 1998 the Company entered into an amendment to its multi-currency revolving credit facility (the "Credit Agreement") which, among other things, increased total borrowing availability from $1.8 billion to $2.1 billion and eliminated the pledge of subsidiary stock which

secured the facility. As of September 26, 1998, the Company had $964 million outstanding under the Credit Agreement and $52 million committed under outstanding letters of credit, resulting in approximately $1.1 billion unused and available.

In addition to debt outstanding under the Credit Agreement, the Company had $559 million of debt outstanding as of September 26, 1998, consisting primarily of $336 million of subordinated notes due between 2002 and 2006.

The Company believes that cash flows from operations and available credit facilities will be sufficient to meet its debt service obligations, projected capital expenditures and working capital requirements.

ACCOUNTING POLICIES

Financial Instruments

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities. The Statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The Statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. The Company anticipates adopting this standard in 1998 and does not anticipate a material impact on the Company's financial position or results of operations when adopted.

YEAR 2000

The Company is currently working to resolve the potential impact of the year 2000 on the processing of time-sensitive information by the Company's computerized information systems. Any of the Company's programs that have time-sensitive software may recognize the year "00" as 1900 rather than the year 2000. This could result in miscalculations, classification errors or system failures ("Y2K").

State of Readiness

In 1996, the Company began a program to assess the impact of the Y2K issue on the software and hardware used in the Company's operations and has identified various areas to focus its Y2K compliance efforts. They include business computer systems, manufacturing and warehousing systems, end-user computing, technical infrastructure and environmental systems, research and development facilities, and supplier and service provider systems. The program's phases include assessment and planning, remediation, testing and implementation.

For business, manufacturing and end-user systems, the Company is in the process of remediation and is utilizing internal personnel as well as third-party services to assist in the Company's efforts. At many sites, particularly in Europe, new Y2K compliant systems are currently being implemented. Many other sites have been or are in the process of being

corrected. The Company's technical infrastructure, environmental systems, and research and development facilities are in the process of being reviewed on a site-by-site basis, in many cases with the aid of equipment manufacturers. Most of the systems used in these areas are new and Y2K compliant. Others will be replaced as part of the Company's ongoing site upgrade program. Among its supplier base, the Company is monitoring the progress of each of its key suppliers with questionnaires and site reviews where appropriate, along with the aid of industry information. A determination will be made as to the appropriate level of dependence the Company will place on each supplier.

Y2K Costs

Based on current estimates, costs of addressing the Y2K issue are not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows in future periods. The Company currently estimates that its historical and future costs for Y2K compliance will be approximately $10 to $20 million. This includes approximately $5 to $10 million directly attributable to correcting non-compliant systems, and an additional $5 to $10 million for ongoing system improvements which will be Y2K compliant. These costs will have been incurred over about a three-year period beginning in mid-year 1996 through the end of 1999. Although in the past the Company had not specifically tracked Y2K remediation costs, it estimates that historical Y2K expenditures incurred through September 26, 1998 were approximately $3 million. Y2K projects have not materially deferred implementation of other information technology projects.

Y2K Risks

The reasonable worst-case scenario for the Company with respect to the Y2K problem is the failure of a key system or supplier system that causes shipments of the Company's products to customers to be temporarily interrupted. This could result in the Company missing build schedules with its customers, which in turn could lead to lost sales and profits for the Company and its customers. The Company has been given a favorable risk assessment for Y2K compliance by domestic automobile manufacturers, which collectively represented over 60% of the Company's 1997 sales revenue.

Contingency Plans

As a part of the Company's Y2K strategy, contingency plans are being developed site-by-site and any systems requiring remediation will have one or more contingency plans. All plans are documented and will be executed accordingly, if necessary. The Company's internal audit staff, independent accountants, and the Audit Committee of the Board of Directors are updated on a regular basis as to the Y2K status. In addition, supplier site audits, where appropriate, are to be performed in late 1998 and in 1999.

FORWARD-LOOKING STATEMENTS

This Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that any forward-looking statements, including statements regarding the intent, belief, or current expectations of the Company or its management, are not guarantees of future performance and involve risks and

uncertainties, and that actual results may differ materially from those in the forward-looking statements as a result of various factors including, but not limited to, (i) general economic conditions in the markets in which the Company operates, (ii) fluctuations in worldwide or regional automobile and light truck production, (iii) labor disputes involving the Company or its significant customers, (iv) changes in practices and/or policies of the Company's significant customers towards outsourcing automotive components and systems, (v) fluctuations in currency exchange rates and (vi) other risks detailed from time to time in the Company's Securities and Exchange Commission filings. The Company does not intend to update these forward-looking statements.

PART II - OTHER INFORMATION

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.
27.1 Financial Data Schedule for the quarter ended September 26, 1998.

(b) The following reports on Form 8-K were filed during the quarter ended September 26, 1998. June 30, 1998-Form 8-K relating to the impact of work stoppages at General Motors assembly plants. August 26, 1998-Form 8-K relating to the impact of work stoppages at General Motors assembly plants. September 1, 1998-Form 8-K relating to the acquisition of Delphi Automotive Systems seating business.

SIGNATURES

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

LEAR CORPORATION

Dated: November 10, 1998

By: /s/Donald J. Stebbins

Donald J. Stebbins
Senior Vice President and
Chief Financial Officer

LEAR CORPORATION
FORM 10 -Q

EXHIBIT INDEX
FOR THE QUARTER ENDED SEPTEMBER 26, 1998

EXHIBIT NUMBER

27.1 Financial Data Schedule for the quarter ended September 26, 1998

ARTICLE 5

MULTIPLIER: 1,000,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD START	JAN 01 1998
PERIOD END	SEP 26 1998
CASH	33
SECURITIES	0
RECEIVABLES	1,299
ALLOWANCES	11
INVENTORY	333
CURRENT ASSETS	2,066
PP&E	1,682
DEPRECIATION	550
TOTAL ASSETS	5,479
CURRENT LIABILITIES	2,298
BONDS	1,466
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	1
OTHER SE	1,309
TOTAL LIABILITY AND EQUITY	5,479
SALES	6,154
TOTAL REVENUES	6,154
CGS	5,560
TOTAL COSTS	5,560
OTHER EXPENSES	18
LOSS PROVISION	0
INTEREST EXPENSE	79
INCOME PRETAX	222
INCOME TAX	87
INCOME CONTINUING	135
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	135
EPS PRIMARY	2.01
EPS DILUTED	1.97

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