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Lear Reports Improved Third Quarter 2013 Financial Results and Increases 2013 Financial Outlook

SOUTHFIELD, Mich., Oct. 25, 2013 /PRNewswire/ -- Lear Corporation (NYSE: LEA), a leading global supplier of automotive seating and electrical distribution systems, today reported financial results for the third quarter. Highlights include:

- Sales of \$3.9 billion, up 11%
- Core operating earnings of \$207 million, up 15%
- Adjusted earnings per share of \$1.45, up 12%
- Free cash flow of \$61 million
- Record quarterly earnings in EPMS; 16th consecutive quarter of year-over-year margin improvement
- Increasing full year outlook for sales, earnings and free cash flow

Business Conditions

In the third quarter, global vehicle production increased 4% from a year ago, reflecting production increases in all of the major automotive markets in the world. Production was up 8% in China, 6% in North America and 2% in Europe and Africa.

"I'm pleased with our solid financial results in the third quarter," said Matt Simoncini, Lear's president and chief executive officer. "Our sales are increasing faster than the overall industry, and the investments we have made in the business have improved our competitive position and are driving profitable growth."

Third Quarter 2013 Financial Results

For the third quarter of 2013, Lear reported sales of \$3.9 billion, core operating earnings of \$207 million, net income of \$113 million and adjusted earnings per share of \$1.45. This compares with sales of \$3.5 billion, core operating earnings of \$179 million, net income of \$121 million and adjusted earnings per share of \$1.29 in the third quarter of 2012.

In the Seating segment, sales were up 9% to \$2.9 billion, reflecting the addition of new business and higher production on key platforms. Adjusted segment earnings were \$155 million or 5.4% of sales. Earnings decreased from last year, primarily reflecting the impact of key program changeovers, partially offset by the increase in sales and operating efficiencies.

Our Electrical Power Management Systems segment achieved record quarterly earnings. Sales grew by 17% to \$1.0 billion, driven by the addition of new business and higher production on key platforms. Adjusted segment earnings were \$112 million or 10.9% of sales. Earnings increased from last year, reflecting the increase in sales, as well as operating efficiencies.

In the third quarter of 2013, free cash flow was \$61 million, and net cash provided by operating activities was \$164 million.

A reconciliation of core operating earnings to pretax income before equity income, adjusted earnings per share to diluted net income per share attributable to Lear, adjusted segment earnings to reported segment earnings and free cash flow to net cash provided by operating activities, in each case as determined in accordance with accounting principles generally accepted in the United States (GAAP), is provided in the attached supplemental data pages.

Full Year 2013 Financial Outlook

Lear has increased its full year 2013 financial outlook for sales, earnings and free cash flow.

Our 2013 financial outlook is based on industry vehicle production assumptions of 19.5 million units in Europe and Africa, up 1% from the prior outlook, 16.2 million units in North America and 18.7 million units in China, both unchanged from the prior outlook. Lear's financial guidance is based on an average full year exchange rate of \$1.32/Euro, up 1% from the prior outlook.

Sales in 2013 are expected to be approximately \$16.0 billion, up from the prior outlook of approximately \$15.8 billion. Core operating earnings are expected to be approximately \$835 million, up from the prior outlook of \$750 to \$800 million, and free cash flow is expected to be approximately \$325 million, up \$25 million from the prior outlook. Interest expense is expected to be

approximately \$70 million, down \$10 million from the prior outlook.

Pretax income before restructuring costs and other special items is estimated to be approximately \$760 million. Tax expense, excluding the impact of restructuring costs and other special items, is expected to be approximately \$230 million, resulting in an effective tax rate of approximately 30%. Adjusted net income attributable to Lear is expected to be approximately \$505 million.

Pretax operational restructuring costs are estimated to be about \$60 million, up \$10 million from the prior outlook. The outlook for capital spending and depreciation and amortization expense is unchanged, at approximately \$450 million and \$285 million, respectively.

Our improving financial results reflect the investments we have made to grow our business and improve our cost structure. In addition, we have returned approximately \$1.7 billion to shareholders in the form of share repurchases and dividends since early 2011. Our share repurchases have resulted in a reduction of approximately 25% of our outstanding shares. This combination of improving financial results and increased return of cash to shareholders is driving shareholder value.

Webcast Information

Lear will webcast a conference call to review the Company's third quarter 2013 financial results and related matters on October 25, 2013, at 9:00 a.m. Eastern Time, through the investor relations link at <http://www.lear.com>. In addition, the conference call can be accessed by dialing 1-800-789-4751 (domestic) or 1-973-200-3975 (international). The audio replay will be available two hours following the call at 1-855-859-2056 (domestic) or 1-404-537-3406 (international) and will be available until November 8, 2013, with a Conference I.D. of 70992377.

Non-GAAP Financial Information

In addition to the results reported in accordance with GAAP included throughout this press release, the Company has provided information regarding "pretax income before equity income, interest, other expense, restructuring costs and other special items" (core operating earnings or adjusted segment earnings), "pretax income before restructuring costs and other special items," "adjusted net income attributable to Lear," "adjusted diluted net income per share attributable to Lear" (adjusted earnings per share), "tax expense excluding the impact of restructuring costs and other special items" and "free cash flow" (each, a non-GAAP financial measure). Other expense includes, among other things, non-income related taxes, foreign exchange gains and losses, gains and losses related to certain derivative instruments and hedging activities, gains and losses on the extinguishment of debt and gains and losses on the disposal of fixed assets. Adjusted net income attributable to Lear and adjusted earnings per share represent net income attributable to Lear and diluted net income per share attributable to Lear, respectively, adjusted for restructuring costs and other special items, including the tax effect thereon. Free cash flow represents net cash provided by operating activities less adjusted capital expenditures. Adjusted capital expenditures represent capital expenditures, net of related insurance proceeds.

Management believes the non-GAAP financial measures used in this press release are useful to both management and investors in their analysis of the Company's financial position and results of operations. In particular, management believes that core operating earnings, pretax income before restructuring costs and other special items, adjusted net income attributable to Lear, adjusted earnings per share and tax expense excluding the impact of restructuring costs and other special items are useful measures in assessing the Company's financial performance by excluding certain items that are not indicative of the Company's core operating performance or that may obscure trends useful in evaluating the Company's continuing operating activities. Management also believes that these measures are useful to both management and investors in their analysis of the Company's results of operations and provide improved comparability between fiscal periods. Management believes that free cash flow is useful to both management and investors in their analysis of the Company's ability to service and repay its debt. Further, management uses these non-GAAP financial measures for planning and forecasting future periods.

Core operating earnings, pretax income before restructuring costs and other special items, adjusted net income attributable to Lear, adjusted earnings per share, tax expense excluding the impact of restructuring costs and other special items and free cash flow should not be considered in isolation or as a substitute for pretax income before equity income, net income attributable to Lear, diluted net income per share attributable to Lear, cash provided by operating activities or other income statement or cash flow statement data prepared in accordance with GAAP or as a measure of profitability or liquidity. In addition, the calculation of free cash flow does not reflect cash used to service debt and, therefore, does not reflect funds available for investment or other discretionary uses. Also, these non-GAAP financial measures, as determined and presented by the Company, may not be comparable to related or similarly titled measures reported by other companies.

For reconciliations of non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP, see the attached supplemental data pages which, together with this press release, have been posted on the Company's website through the investor relations link at <http://www.lear.com>.

Given the inherent uncertainty regarding special items and other expense in any future period, a reconciliation of forward-looking financial measures to the most directly comparable financial measures calculated and presented in accordance with

GAAP is not feasible. The magnitude of these items, however, may be significant.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding anticipated financial results and liquidity. The words "will," "may," "designed to," "outlook," "believes," "should," "anticipates," "plans," "expects," "intends," "estimates," "forecasts" and similar expressions identify certain of these forward-looking statements. The Company also may provide forward-looking statements in oral statements or other written materials released to the public. All such forward-looking statements contained or incorporated in this press release or in any other public statements which address operating performance, events or developments that the Company expects or anticipates may occur in the future, including, without limitation, statements related to business opportunities, awarded sales contracts, sales backlog and ongoing commercial arrangements, or statements expressing views about future operating results, are forward-looking statements. Actual results may differ materially from any or all forward-looking statements made by the Company. Important factors, risks and uncertainties that may cause actual results to differ materially from anticipated results include, but are not limited to, general economic conditions in the markets in which the Company operates, including changes in interest rates or currency exchange rates; the financial condition and restructuring actions of the Company's customers and suppliers; changes in actual industry vehicle production levels from the Company's current estimates; fluctuations in the production of vehicles or the loss of business with respect to, or the lack of commercial success of, a vehicle model for which the Company is a significant supplier; disruptions in the relationships with the Company's suppliers; labor disputes involving the Company or its significant customers or suppliers or that otherwise affect the Company; the outcome of customer negotiations and the impact of customer-imposed price reductions; the impact and timing of program launch costs and the Company's management of new program launches; the costs, timing and success of restructuring actions; increases in the Company's warranty, product liability or recall costs; risks associated with conducting business in foreign countries; the impact of regulations on the Company's foreign operations; the operational and financial success of the Company's joint ventures; competitive conditions impacting the Company and its key customers and suppliers; disruptions to the Company's information technology systems; the cost and availability of raw materials, energy, commodities and product components and the Company's ability to mitigate such costs; the outcome of legal or regulatory proceedings to which the Company is or may become a party; the impact of pending legislation and regulations or changes in existing federal, state, local or foreign laws or regulations; unanticipated changes in cash flow, including the Company's ability to align its vendor payment terms with those of its customers; limitations imposed by the Company's existing indebtedness and the Company's ability to access capital markets on commercially reasonable terms; impairment charges initiated by adverse industry or market developments; the Company's ability to execute its strategic objectives; changes in discount rates and the actual return on pension assets; costs associated with compliance with environmental laws and regulations; developments or assertions by or against the Company relating to intellectual property rights; the Company's ability to utilize its net operating loss, capital loss and tax credit carryforwards; global sovereign fiscal matters and creditworthiness, including potential defaults and the related impacts on economic activity, including the possible effects on credit markets, currency values, monetary unions, international treaties and fiscal policies; and other risks described from time to time in the Company's Securities and Exchange Commission filings. Future operating results will be based on various factors, including actual industry production volumes, commodity prices and the Company's success in implementing its operating strategy.

Information in this press release relies on assumptions in the Company's sales backlog. The Company's sales backlog reflects anticipated net sales from formally awarded new programs less lost and discontinued programs. The calculation of the sales backlog does not reflect customer price reductions on existing or newly awarded programs. The sales backlog may be impacted by various assumptions embedded in the calculation, including vehicle production levels on new programs, foreign exchange rates and the timing of major program launches.

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

Lear Corporation is one of the world's leading suppliers of automotive seating and electrical distribution systems. The Company's world-class products are designed, engineered and manufactured by a diverse team of approximately 113,000 employees located in 36 countries. Lear's headquarters are in Southfield, Michigan, and Lear is traded on the New York Stock Exchange under the symbol [LEA]. Further information about Lear is available at lear.com.

Lear Corporation and Subsidiaries
Condensed Consolidated Statements of Income

(Unaudited; in millions, except per share amounts)

Three Month

	Period Ended	
	September 28, 2013	September 29, 2012
Net sales	\$ 3,917.7	\$ 3,538.6
Cost of sales	3,587.5	3,247.3
Selling, general and administrative expenses	128.6	113.4
Amortization of intangible assets	8.6	8.3
Interest expense	17.5	13.7
Other expense, net	16.8	1.5
Consolidated income before income taxes and equity in net income of affiliates	158.7	154.4
Income taxes	51.2	29.3
Equity in net income of affiliates	(9.2)	(3.0)
Consolidated net income	116.7	128.1
Net income attributable to noncontrolling interests	3.9	6.7
Net income attributable to Lear	<u>\$ 112.8</u>	<u>\$ 121.4</u>
Diluted net income per share attributable to Lear	<u>\$ 1.38</u>	<u>\$ 1.23</u>
Weighted average number of diluted shares outstanding	<u>81.8</u>	<u>98.9</u>

Lear Corporation and Subsidiaries
Condensed Consolidated Statements of Income

(Unaudited; in millions, except per share amounts)

	Nine Month Period Ended	
	September 28, 2013	September 29, 2012
Net sales	\$ 11,977.9	\$ 10,847.6
Cost of sales	10,997.6	9,931.9
Selling, general and administrative expenses	386.1	346.8
Amortization of intangible assets	25.8	22.5
Interest expense	51.6	40.2
Other expense, net	37.8	12.0
Consolidated income before income taxes and equity in net income of affiliates	479.0	494.2
Income taxes	130.2	100.4
Equity in net income of affiliates	(27.1)	(33.3)
Consolidated net income	375.9	427.1
Net income attributable to noncontrolling interests	17.3	26.2
Net income attributable to Lear	<u>\$ 358.6</u>	<u>\$ 400.9</u>
Diluted net income per share attributable to Lear	<u>\$ 4.09</u>	<u>\$ 3.99</u>
Weighted average number of diluted shares outstanding	<u>87.7</u>	<u>100.5</u>

Lear Corporation and Subsidiaries
Condensed Consolidated Balance Sheets

(In millions)

	September 28, 2013	December 31, 2012
	(Unaudited)	(Audited)
ASSETS		
Current:		
Cash and cash equivalents	\$ 884.0	\$ 1,402.2
Accounts receivable	2,596.9	2,040.7
Inventories	839.2	727.1
Other	683.5	703.5
	<u>5,003.6</u>	<u>4,873.5</u>
Long-Term:		
PP&E, net	1,540.0	1,403.1
Goodwill	753.1	746.5
Other	1,167.5	1,171.0
	<u>3,460.6</u>	<u>3,320.6</u>
Total Assets	<u>\$ 8,464.2</u>	<u>\$ 8,194.1</u>
 LIABILITIES AND EQUITY		
Current:		
Accounts payable and drafts	\$ 2,554.9	\$ 2,233.0
Accrued liabilities	1,194.7	983.9
	<u>3,749.6</u>	<u>3,216.9</u>
Long-Term:		
Long-term debt	1,057.0	626.3
Other	737.6	738.7
	<u>1,794.6</u>	<u>1,365.0</u>
Equity	<u>2,920.0</u>	<u>3,612.2</u>
Total Liabilities and Equity	<u>\$ 8,464.2</u>	<u>\$ 8,194.1</u>

Lear Corporation and Subsidiaries
Supplemental Data

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

	Three Months Ended	
	September 28, 2013	September 29, 2012
Net Sales		
Europe and Africa	\$ 1,472.8	\$ 1,297.8
North America	1,503.1	1,405.1
Asia	692.9	623.6
South America	248.9	212.1
Total	<u>\$ 3,917.7</u>	<u>\$ 3,538.6</u>
 Content Per Vehicle¹		
Europe and Africa	\$ 332	\$ 293
North America	\$ 393	\$ 383

Free Cash Flow^{2, 3}

Net cash provided by operating activities	\$ 164.2	\$ 200.9
Adjusted capital expenditures	(102.8)	(113.2)
Free cash flow	<u>\$ 61.4</u>	<u>\$ 87.7</u>

Depreciation and Amortization

\$ 72.9	\$ 63.3
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Core Operating Earnings²

Consolidated income before income taxes and equity in net income of affiliates	\$ 158.7	\$ 154.4
Interest expense	17.5	13.7
Other expense, net	16.8	1.5
Pretax income before equity income, interest and other expense	193.0	169.6
Restructuring costs and other special items -		
Costs related to restructuring actions	13.1	3.3
Acquisition and other related costs	-	0.3
Losses and incremental costs (insurance recoveries), net related to the destruction of assets	-	3.8
Other	0.4	2.3
Core operating earnings	<u>\$ 206.5</u>	<u>\$ 179.3</u>

Adjusted Net Income Attributable to Lear²

Net income attributable to Lear	\$ 112.8	\$ 121.4
Restructuring costs and other special items -		
Costs related to restructuring actions	13.1	3.3
Acquisition and other related costs	-	0.3
Losses and incremental costs (insurance recoveries), net related to the destruction of assets	-	(3.4)
Loss on redemption of bonds	-	3.7
Gain related to affiliate	-	(2.2)
Other	0.4	2.3
Tax impact of special items and other net tax adjustments ⁴	(7.8)	1.8
Adjusted net income attributable to Lear	<u>\$ 118.5</u>	<u>\$ 127.2</u>
Weighted average number of diluted shares outstanding	<u>81.8</u>	<u>98.9</u>
Diluted net income per share attributable to Lear	<u>\$ 1.38</u>	<u>\$ 1.23</u>
Adjusted earnings per share	<u>\$ 1.45</u>	<u>\$ 1.29</u>

¹ Content Per Vehicle for 2012 has been updated to reflect actual production levels.

² See "Non-GAAP Financial Information" included in this press release.

³ Adjusted capital expenditures represent capital expenditures of \$102.8 million and \$120.1 million in 2013 and 2012, respectively, net of related insurance proceeds of \$6.9 million in 2012.

⁴ Represents the tax effect of restructuring costs and other special items, as well as several discrete tax items. The identification of these tax items is judgmental in nature and their calculation is based on various assumptions and estimates.

**Lear Corporation and Subsidiaries
Supplemental Data**

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

	Nine Months Ended	
	September 28, 2013	September 29, 2012
Net Sales		
Europe and Africa	\$ 4,583.3	\$ 4,204.3

North America	4,563.5	4,261.4
Asia	2,068.2	1,811.8
South America	762.9	570.1
Total	<u>\$ 11,977.9</u>	<u>\$ 10,847.6</u>
<u>Content Per Vehicle¹</u>		
Europe and Africa	\$ 314	\$ 283
North America	\$ 377	\$ 367
<u>Free Cash Flow^{2, 3}</u>		
Net cash provided by operating activities	\$ 429.6	\$ 360.7
Adjusted capital expenditures	(322.1)	(289.1)
Free cash flow	<u>\$ 107.5</u>	<u>\$ 71.6</u>
<u>Depreciation and Amortization</u>	\$ 208.3	\$ 173.6
<u>Diluted Shares Outstanding at end of quarter⁴</u>	81,768,811	98,145,848
<u>Core Operating Earnings²</u>		
Consolidated income before income taxes and equity in net income of affiliates	\$ 479.0	\$ 494.2
Interest expense	51.6	40.2
Other expense, net	37.8	12.0
Pretax income before equity income, interest and other expense	568.4	546.4
Restructuring costs and other special items -		
Costs related to restructuring actions	47.2	11.2
Costs related to proxy contest	3.0	-
Acquisition and other related costs	-	5.6
Losses and incremental costs (insurance recoveries), net related to the destruction of assets	7.3	1.3
Labor-related litigation claims	4.9	-
Other	0.4	7.3
Core operating earnings	<u>\$ 631.2</u>	<u>\$ 571.8</u>
<u>Adjusted Net Income Attributable to Lear²</u>		
Net income attributable to Lear	\$ 358.6	\$ 400.9
Restructuring costs and other special items -		
Costs related to restructuring actions	47.2	11.1
Costs related to proxy contest	3.0	-
Acquisition and other related costs	-	5.6
Losses and incremental costs (insurance recoveries), net related to the destruction of assets	7.3	(11.0)
Labor-related litigation claims	4.9	-
Loss on redemption of bonds	3.6	3.7
Gain related to affiliate	-	(16.9)
Other	0.4	7.3
Tax impact of special items and other net tax adjustments ⁵	(43.8)	2.5
Adjusted net income attributable to Lear	<u>\$ 381.2</u>	<u>\$ 403.2</u>
Weighted average number of diluted shares outstanding	<u>87.7</u>	<u>100.5</u>
Diluted net income per share attributable to Lear	<u>\$ 4.09</u>	<u>\$ 3.99</u>
Adjusted earnings per share	<u>\$ 4.35</u>	<u>\$ 4.01</u>

¹ Content Per Vehicle for 2012 has been updated to reflect actual production levels.

² See "Non-GAAP Financial Information" included in this press release.

³ Adjusted capital expenditures represent capital expenditures of \$329.2 million and \$300.5 million in 2013 and 2012, respectively, net of related insurance proceeds of \$7.1 million and \$11.4 million in 2013 and 2012, respectively.

⁴ Calculated using stock price at end of quarter.

- 5 Represents the tax effect of restructuring costs and other special items, as well as several discrete tax items. The identification of these tax items is judgmental in nature and their calculation is based on various assumptions and estimates.

Lear Corporation and Subsidiaries
Supplemental Data

(Unaudited; in millions)

	Three Months Ended	
	September 28, 2013	September 29, 2012
Adjusted Segment Earnings-		
Seating		
Net sales	\$ 2,891.7	\$ 2,661.6
Segment earnings	\$ 142.8	\$ 154.8
Costs related to restructuring actions	12.3	2.4
Losses and incremental costs (insurance recoveries), net related to the destruction of assets	-	3.9
Adjusted segment earnings	\$ 155.1	\$ 161.1
Electrical Power Management Systems		
Net sales	\$ 1,026.0	\$ 877.0
Segment earnings	\$ 111.6	\$ 65.2
Costs related to restructuring actions	0.6	0.8
Adjusted segment earnings	\$ 112.2	\$ 66.0
Adjusted Segment Earnings-		
Seating		
Net sales	\$ 8,872.6	\$ 8,268.8
Segment earnings	\$ 450.7	\$ 524.2
Costs related to restructuring actions	34.0	8.4
Acquisition and other related costs	-	0.8
Losses and incremental costs (insurance recoveries), net related to the destruction of assets	7.3	1.1
Labor-related litigation claims	4.9	-
Adjusted segment earnings	\$ 496.9	\$ 534.5
Electrical Power Management Systems		
Net sales	\$ 3,105.3	\$ 2,578.8
Segment earnings	\$ 295.5	\$ 176.4
Costs related to restructuring actions	7.8	2.5
Adjusted segment earnings	\$ 303.3	\$ 178.9

SOURCE Lear Corporation

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