



## Lear Reports Third-Quarter 2008 Financial Results

SOUTHFIELD, Mich., Oct. 30 /PRNewswire-FirstCall/ -- Lear Corporation (NYSE: LEA), a leading global supplier of automotive seating systems, electrical distribution systems and electronic products, today reported financial results for the third quarter of 2008.

### Business Conditions

The production environment in the third quarter was extremely challenging. In North America, industry production was down 17% and Lear's top fifteen platforms were down 33%. In Europe, industry production was down 3% and Lear's top five customers were down 8%.

"We are experiencing recessionary conditions in North America, and there is increasing weakness in Europe," said Bob Rossiter, Lear's chairman, chief executive officer and president. "As a result, industry production in these mature markets is down sharply. In response, the Company has been very aggressive in reducing structural costs."

In response to rapidly evolving industry conditions, Lear has been aggressively reducing costs and restructuring its global operations. These actions have been designed to better align the Company's manufacturing capacity, lower operating costs and streamline the Company's organizational structure. Since mid-2005, the Company has implemented major structural changes, including a reduction of excess capacity, consolidation of administrative functions, establishment of global operating units and a significant improvement in its low-cost footprint. As a result, the Company has lowered ongoing operating costs by more than \$250 million and is presently able to operate more efficiently at significantly lower production volumes.

### Third-Quarter Financial Results

For the third quarter of 2008, Lear reported net sales of \$3.1 billion and a pretax loss of \$77.3 million, including restructuring costs of \$45.8 million. This compares with net sales of \$3.6 billion and pretax income of \$60.1 million, including restructuring costs of \$37.3 million and other special items of \$8.0 million, for the third quarter of 2007.

Net loss was \$98.2 million, or \$1.27 per share, for the third quarter of 2008 as compared with net income of \$41.0 million, or \$0.52 per share, for the third quarter of 2007.

Income before interest, other expense, income taxes, restructuring costs and other special items (core operating earnings) was \$46.1 million for the third quarter of 2008. This compares with core operating earnings of \$170.4 million for the third quarter of 2007. A reconciliation of core operating earnings to pretax income (loss) as determined by generally accepted accounting principles ("GAAP") is provided in the attached supplemental data pages.

The decline in net sales for the quarter primarily reflects a significant reduction in production of our key platforms in North America and Europe, offset partially by favorable foreign exchange.

In the seating segment, net sales were down \$403 million. Operating margins declined sharply, reflecting primarily the impact of lower vehicle production. In the electrical and electronic segment, net sales were down \$38 million and operating margins were about flat.

In the third quarter of 2008, free cash flow was negative \$16.7 million, as compared with free cash flow of \$90.8 million in the third quarter of 2007. The decline in free cash flow compared with a year ago primarily reflects lower earnings. (Net cash provided by operating activities was \$40.9 million in the third quarter of 2008 as compared with \$62.0 million in the third quarter of 2007. A reconciliation of free cash flow to net cash provided by operating activities as determined by GAAP is provided in the attached supplemental data pages.)

### Operating Improvement Plan

The Company recently announced a \$150 million operating improvement plan to strengthen operating results and increase financial flexibility over the next twelve months. This initiative is comprised of actions to further reduce structural costs and other measures intended to preserve financial flexibility. Specific actions include:



(including those items that are included in other expense) that are not indicative of the Company's core operating earnings or that may obscure trends useful in evaluating the Company's continuing operating activities. Management also believes that this measure is useful to both management and investors in their analysis of the Company's results of operations and provides 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 in future periods.

Core operating earnings and free cash flow should not be considered in isolation or as a substitute for pretax income (loss), net income (loss), cash provided by operating activities or other statement of operations 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/>

### **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. Actual results may differ materially from anticipated results as a result of certain risks and uncertainties, including but not limited to, general economic conditions in the markets in which the Company operates, including changes in interest rates or currency exchange rates, the financial condition of the Company's customers or suppliers, changes in actual industry vehicle production levels from the Company's current estimates, fluctuations in the production of vehicles for which the Company is a supplier, 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, including further declines in sales of full-size pickup trucks and large sport utility vehicles, 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 Company's ability to achieve cost reductions that offset or exceed customer-mandated selling price reductions, the outcome of customer negotiations, the impact and timing of program launch costs, the costs, timing and success of restructuring actions, increases in the Company's warranty or product liability costs, risks associated with conducting business in foreign countries, competitive conditions impacting the Company's key customers and suppliers, the cost and availability of raw materials and energy, the Company's ability to mitigate increases in raw material, energy and commodity costs, the outcome of legal or regulatory proceedings to which the Company is or may become a party, unanticipated changes in cash flow, including the Company's ability to align its vendor payment terms with those of its customers, the Company's ability to access capital markets on commercially reasonable terms and other risks described from time to time in the Company's Securities and Exchange Commission filings. The operating improvement plan described in this release does not represent a forecast of future operating results. 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 improvement plan.

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 systems, electrical distribution systems and electronic products. The Company's world-class products are designed, engineered and manufactured by a diverse team of 91,000 employees at 215 facilities in 35 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 on the Internet at <http://www.lear.com/>.