



Third Quarter 2004 Results and Fourth Quarter Guidance

October 21, 2004

world's **leading** automotive interior **supplier**

▶ *advance relentlessly*

fast forward



Agenda

- ▶▶ Lear's Game Plan
 - *Bob Rossiter, Chairman and CEO*

- ▶▶ Operating Review
 - *Jim Vandenberghe, Vice Chairman*

- ▶▶ Financial Review and Guidance
 - *Dave Wajsgras, SVP and CFO*

- ▶▶ Q & A

Lear's Game Plan

Lear's Game Plan

- ▶▶ Our #1 priority is delivering superior value to our customers
- ▶▶ We are also continuously working to improve our operating fundamentals
- ▶▶ Relentless customer focus and our drive for operational excellence will support profitable growth for Lear going forward

Third Quarter Highlights

- ▶▶ We achieved record sales and improved earnings, but our operating margin was down
- ▶▶ Solid financial results in Europe; on-track for continued improvement
- ▶▶ Integration of terminals and connectors acquisition proceeding well
- ▶▶ Steel and other raw material prices continued to escalate

Lear Performed Well Despite a More Challenging Environment

Business Outlook and Lear's Response

Fourth Quarter 2004

- ▶▶ Unfavorable vehicle production mix
- ▶▶ Rising raw material costs
- ▶▶ Infrastructure realignment costs

Full Year 2005

- ▶▶ Continue to improve our cost structure
- ▶▶ Deliver record sales backlog

***Lear Team Fully Engaged with
Customers/Suppliers to Offset Challenges***

Operating Review

Second Half External Factors

- ▶▶ Overall vehicle demand and production in our major markets relatively stable
- ▶▶ Key vehicle platforms have experienced weaker demand / lower production
- ▶▶ Continued pressure from our customers to reduce costs
- ▶▶ Rapid escalation of raw material and energy prices since the first quarter of this year

Production Mix and Commodity Prices Are Adversely Impacting Second Half Results

Major Commodities – Impact of Price Increases

- ▶▶ Unprecedented increases in key commodity prices
- ▶▶ Financial impact to Lear varies by commodity:

Commodity	Impact	Product
Steel	Most significant	Seat frames, tracks, mechanisms
Resins/Plastics	Partially mitigated near-term	Instrument panels, door panels, trim
Copper	Currently small due to agreements	Wire harnesses
Energy	Currently manageable	Logistics and overhead

Strategy to Mitigate Higher Material Costs

- ▶▶ Aggressively pursue value-based solutions with all customers and suppliers
- ▶▶ Continue to consolidate supply base
- ▶▶ Selectively in-source components where we have available capacity
- ▶▶ Consolidate administrative functions and reduce costs
- ▶▶ Accelerate low-cost country sourcing and engineering

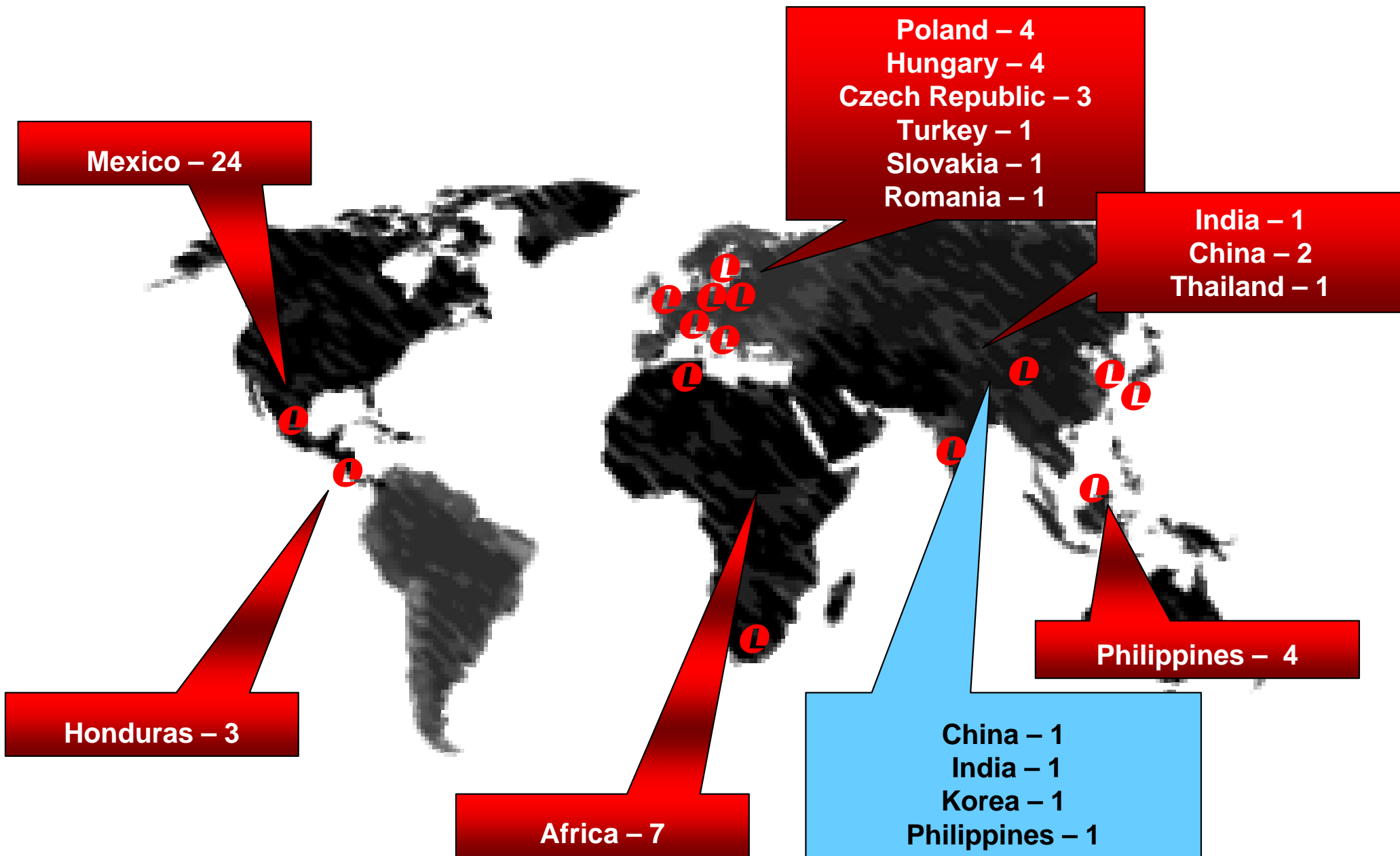
Entire Value Chain is Being Targeted for Cost Efficiencies

Cost Technology Optimization (CTO) Centers



CTO Evaluates All Areas for Cost Reduction

Low Cost **Manufacturing** Capabilities and **Engineering** Centers



Lear's Terminals and Connectors Business

- ▶▶ Evaluated manufacturing footprint – consolidation actions underway
- ▶▶ Leveraging acquired technical expertise throughout Lear's electronics division
- ▶▶ Seeking to expand relationships with customers
- ▶▶ Assessing in-sourcing of current terminals & connectors buy, in progressive steps
 - Some in-sourced quickly
 - Other requires more extensive customer review
 - Rest involves modifications in design



Operating Factors in Perspective for the First Nine Months of 2004



- ▶▶ Lear has performed well, despite rising raw material and energy prices
- ▶▶ Quality and customer satisfaction continue to improve
- ▶▶ Aggressively working to minimize adverse impact of external factors
- ▶▶ Continuing to invest in growth strategy worldwide

***Focused Strategy Has Allowed Lear to Meet
Aggressive Customer Requirements
& Deliver Solid Financial Results***

Financial Review and Guidance

Production Environment – 3Q04 vs. 3Q03

North America

- ▶▶ Industry production down 1%
- ▶▶ Big Three production down 4%

Europe

- ▶▶ Industry production up 3%
- ▶▶ Western Europe production flat
- ▶▶ Key Lear platforms down more than average

Production Mix Remains Challenging

Financial Highlights – Third Quarter 2004

(millions, except net income per share)	<i>Third Quarter 2004</i>	<i>Third Quarter 2003</i>	<i>3Q '04 B/(W) 3Q '03</i>
Net Sales	\$3,897.8 ✓	\$3,491.5	\$406.3
Income before Interest, Other Expense & Income Taxes (core operating earnings)*	\$159.1	\$163.1	\$(4.0)
Margin	4.1%	4.7%	(60)bps
Net Income	\$91.7	\$76.1	\$15.6
Net Income Per Share	\$1.32	\$1.10	\$0.22
SG&A % of Net Sales	4.1%	4.0%	(10)bps
Interest Expense	\$43.3	\$44.0	\$0.7
Other Expense, Net	\$ 10.0	\$13.4	\$3.4
Effective Tax Rate	13%	28%	15pts

✓ Record

* Income before income taxes for the third quarter 2004 and 2003 was \$105.8 and \$105.7, respectively. Please see slides titled "Use of Non-GAAP Financial Information" at the end of this presentation for further information.

3Q04 vs. 3Q03 Change in Net Sales and Core Operating Earnings

Net Sales (up \$406 million)

- + Addition of new business globally
- + Impact of foreign currency, primarily stronger Euro
- + Acquisitions

offset in part by

- Global vehicle production mix

Core Operating Earnings* (down \$4 million)

- + Net operating performance
- + Profit contribution from new business globally

primarily offset by

- Global vehicle production mix
- Costs associated with commodity prices

* Please see slides titled “Use of Non-GAAP Financial Information” at the end of this presentation for further information.

Free Cash Flow

(millions)	<u>Three Months</u>	<u>Nine Months</u>
Net Income	\$ 92	\$ 299
Depreciation	87	257
Working Capital / Other	(47)	(41)
Cash from Operations*	<u>\$ 132</u>	<u>\$ 515</u>
Capital Expenditures	(91)	(284)
Free Cash Flow	<u><u>\$ 41</u></u>	<u><u>\$ 231</u></u>

* Cash from Operations represents net cash provided by operating activities (\$132 for three months and \$444 for nine months ended 10/02/04) before net change in sold accounts receivable (\$0 for three months and \$71 for nine months ended 10/02/04). Please see slides titled "Use of Non-GAAP Financial Information" at the end of this presentation.

Changes in Fourth Quarter Outlook*

Volume and Mix

Prior

Present

North America Production	4.1 m units	3.9 m units	▶▶ Selective production cuts to adjust inventory levels
Europe Production	4.7 m units	4.7 m units	▶▶ Jaguar / Opel production cuts
Mix of Production	negative	more negative	▶▶ Key Lear vehicle lines impacted by production cuts

Other Factors

Prior

Present

Raw Material Prices	moderate impact	significant impact	▶▶ Costs have continued to rise; ability to offset more difficult
Structural Cost	moderate	accelerated	▶▶ Selected initiatives in response Reductions to customer actions

* Please see slide titled "Forward-Looking Statements" at the end of this presentation for further information.

Sales and Net Income Guidance*

	<u>4Q04</u>	<u>Full Year</u>
Production (units)		
• North America	≈3.9 million	≈15.8 million
• Europe	≈4.7 million	≈18.5 million
Sales	≈\$4.1 billion	≈\$16.8 billion
Net Income Per Share**	\$1.70 – 1.80	\$5.97 – 6.07
Tax Rate		≈24%

* Please see slide titled “Forward-Looking Statements” at the end of this presentation for further information.

** Excludes the dilutive impact of the Company’s outstanding convertible senior notes: approximately \$0.08 for the Fourth Quarter and \$0.26 – 0.27 for the Full Year.

Other 2004 Guidance*

Full Year

Capital Spending

≈\$400 million

Depreciation

≈\$365 million

Free Cash Flow*

≈\$300 million

Interest Expense

≈\$165 million

* Please see slides titled “Use of Non-GAAP Financial Information” and “Forward-Looking Statements” at the end of this presentation for further information.

Factors Impacting 2005 Financials*

Industry / External

- ▶▶ High energy and raw material prices
- ▶▶ Aggressive customer demands for cost reduction to continue
- ▶▶ Several major automakers have changed payment terms, which will have a negative impact on our reported cash flow

Lear Specific

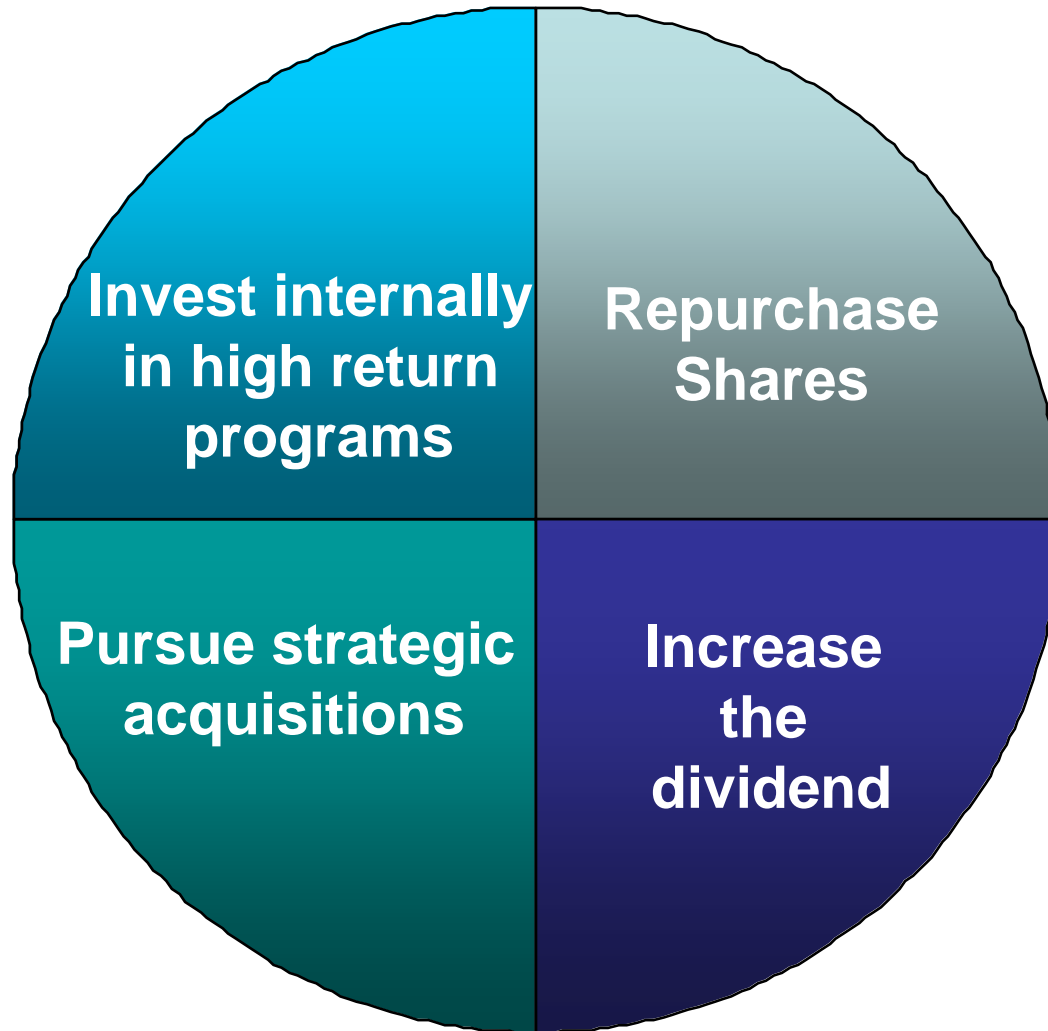
- ▶▶ Aggressive cost structure efficiency actions continue
- ▶▶ Record sales backlog comes on-line

Directional 2005 Outlook*

- ▶▶ Record backlog supports a sales increase of 5% to 7%
- ▶▶ Operating earnings are expected to increase 5% to 10%
- ▶▶ Additional details of 2005 financial guidance to be reviewed in January

Alternative Uses of Cash Flow. . .

Where We See Value Creation



. . . While Maintaining a Strong Balance Sheet

Summary

- ▶▶ The hallmark of the Lear team is to pro-actively meet industry challenges and to work hand-in-hand with our customers to deliver superior value
- ▶▶ Despite the challenges of higher raw material and energy prices, the Lear team remains focused on serving our customers and profitably growing our business worldwide



ADVANCE RELENTLESSLY™



Use of Non-GAAP Financial Information

In addition to the results reported in accordance with accounting principles generally accepted in the United States (“GAAP”) included throughout this presentation, the Company has provided information regarding certain non-GAAP financial measures. These measures include “income before interest, other expense and income taxes” (core operating earnings) and “free cash flow.” Free cash flow represents net cash provided by operating activities before the net change in sold accounts receivable, less capital expenditures. The Company believes it is appropriate to exclude the net change in sold accounts receivable in the calculation of free cash flow since the sale of receivables may be viewed as a substitute for borrowing activity.

Management believes that the non-GAAP financial measures used in this presentation 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 income before interest, other expense and income taxes is a useful measure in assessing the Company’s financial performance by excluding certain items 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 believes that free cash flow is useful in analyzing the Company’s ability to service and repay its debt. Further, management uses these non-GAAP measures for planning and forecasting in future periods.

Neither income before interest, other expense and income taxes nor free cash flow should be considered in isolation or as substitutes for net income, net cash provided by operating activities or other income statement or cash flow statement data prepared in accordance with GAAP or as measures of profitability or liquidity. In addition, 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.

Set forth on the following slides are reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP.

Use of Non-GAAP Financial Information

Core Operating Earnings

(millions)

	<u>Q3 2004</u>	<u>Q3 2003</u>
<u>Income before interest, other expense and income taxes</u>		
Income before income taxes	\$ 105.8	\$ 105.7
Interest expense	43.3	44.0
Other expense, net	<u>10.0</u>	<u>13.4</u>
Income before interest, other expense and income taxes (core operating earnings)	<u>\$ 159.1</u>	<u>\$ 163.1</u>

Use of Non-GAAP Financial Information

Free Cash Flow



(millions)	<u>Q3 2004</u>	<u>Nine Months</u> <u>2004</u>
<u>Free cash flow</u>		
Net cash provided by operating activities	\$ 131.9	\$ 444.0
Net change in sold accounts receivable	<u> -</u>	<u> 70.4</u>
Net cash provided by operating activities <u>before</u> net change in sold accounts receivable	131.9	514.4
Capital expenditures	<u>(91.1)</u>	<u>(283.7)</u>
Free cash flow	<u><u>\$ 40.8</u></u>	<u><u>\$ 230.7</u></u>

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding anticipated financial results. 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 and fuel prices, fluctuations in the production of vehicles for which the Company is a supplier, 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 impact and timing of program launch costs, the costs and timing of facility closures or similar actions, increases in the Company's warranty or product liability costs, risks associated with conducting business in foreign countries, fluctuations in foreign exchange rates, adverse changes in economic conditions or political instability in the jurisdictions in which the Company operates, competitive conditions impacting the Company's key customers, raw material cost and availability, the Company's ability to successfully integrate the recently acquired terminals and connectors operations, the outcome of legal or regulatory proceedings to which the Company is or may become a party, unanticipated changes in free cash flow and other risks described from time to time in the Company's Securities and Exchange Commission filings.

In addition, the fourth quarter and full year 2004 per share earnings guidance is based on an assumed 69.8 million and 70.0 million shares outstanding, respectively, and does not reflect the adoption of Emerging Issues Task Force ("EITF") 04-08, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share." The Company will adopt EITF 04-08 in the fourth quarter of 2004. As a result, the impact of the assumed conversion of the outstanding convertible senior notes is expected to reduce fourth quarter and full year 2004 per share earnings by approximately \$0.08 and \$0.26 - \$0.27, respectively.

The forward-looking statements in this presentation are made as of the date hereof, and the Company does not assume any obligation to update them.