



LEAR.
CORPORATION

IAA 2005 Automotive Conference

Business Update and Product Strategy

September 15, 2005



Bob Rossiter

Chairman and CEO

Outline of Presentation

Bob Rossiter, Chairman and CEO

- ▶▶ Business and Financial Update
- ▶▶ Overview of Product Strategy

Dave Wajsgras, Executive Vice President and CFO

- ▶▶ Interior Products Strategy

Jim Vandenberghe, Vice Chairman

- ▶▶ Industry Trends
- ▶▶ Seating Systems Strategy
- ▶▶ Electrical / Electronics Systems Strategy
- ▶▶ Summary

Business and Financial Update

- ▶▶ Implementing global restructuring plan -- overall restructuring framework unchanged
- ▶▶ Working with customers and suppliers to achieve a balanced pricing model
- ▶▶ Evaluating strategic options for interiors business, including potential joint venture partnerships
- ▶▶ Despite near-term industry challenges, we remain committed to maintaining a strong and flexible financial position

Restructuring Implementation**

Strategy

- ▶▶ Accelerate move to low-cost countries
- ▶▶ Streamline organization structure
 - Align with customer shift
- ▶▶ Eliminate excess capacity
 - Consolidation of interiors plants

Action Plan

- ▶▶ \$250M* total – global in nature
- ▶▶ Targeting 5% – 7% reduction in worldwide headcount
- ▶▶ Actions to impact more than 20 manufacturing facilities
- ▶▶ Payback expected in 2-3 years

* Actual restructuring costs will be dependent on various factors, including the timing of certain actions, and may vary from current estimates.




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

Working to Address Supply Chain Issues

- ▶▶ Continued distress within tier II and tier III supply base
- ▶▶ Raw materials remain at high levels with signs of potential increases. . . Hurricane Katrina impact?
- ▶▶ Leveraging best-in-class purchasing practices
 - Affordable cost structure
 - Cost Technology Optimization process
 - Accelerating move to low-cost countries

***Leveraging Best-In-Class Purchasing
Practices And Working With Customers
And Suppliers To Achieve A Balanced Pricing Model***

Profile of Product Groups

Product	YTD % of Total Sales	Comments	Outlook
 Seating	65%	Industry Leader Vertical Integration Common Architecture	Leverage Value Proposition
 Electrical / Electronics	18%	New Products Vertical Integration Low-Cost Sourcing	Profitable Growth Opportunity
 Interior Products	17%	Industry Distressed Unacceptable Returns	Explore Strategic Options

Lear to Remain Focused on Growing Seating and Electrical/Electronics Systems

- ▶▶ Ample opportunity to create shareholder value within automotive industry
- ▶▶ Non-traditional Big Three* customer mix now about 50% of total and growing steadily
- ▶▶ New product opportunities in Seating and Electrical / Electronics Systems
- ▶▶ Regional diversification into Asia

* Excludes affiliates of GM (other than Opel), Ford and DaimlerChrysler.

Status of Interior Product Group

- ▶▶ Establishing a “stand-alone” unit within Lear Corporation, reporting to the CFO
- ▶▶ Will interface with customers, suppliers and labor directly and independently
- ▶▶ Evaluating all strategic options while implementing restructuring actions to improve capacity utilization and overall competitiveness
- ▶▶ Finding an optimal solution is complex

***This Segment Of The Industry Is In Distress
And Requires An Improved Business Model***

Near-Term Business Assessment*

- ▶▶ Industry conditions remain challenging
- ▶▶ Implementation of global restructuring continues
- ▶▶ Streamlined organization now in place
- ▶▶ Actively addressing supply chain challenges
- ▶▶ Opportunities for profitable growth in Seating and Electrical / Electronics Systems
- ▶▶ Evaluating a new business model for Interior Products

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

Dave Wajsgras

Executive Vice President and CFO

Status of Interior Products Market

- ▶▶ Business characteristics
 - Industry overcapacity
 - High raw material costs
 - Insufficient pricing
- ▶▶ Unacceptable financial performance
 - Financial returns have continued to decline
 - Several key players are in bankruptcy or a loss position
- ▶▶ OEMs now retaining total integrator responsibilities

***This Segment Is Distressed And Requires
An Improved Business Model***

Interior Products



**Door
& Trim Systems**



**Instrument
Panels / Cockpits**

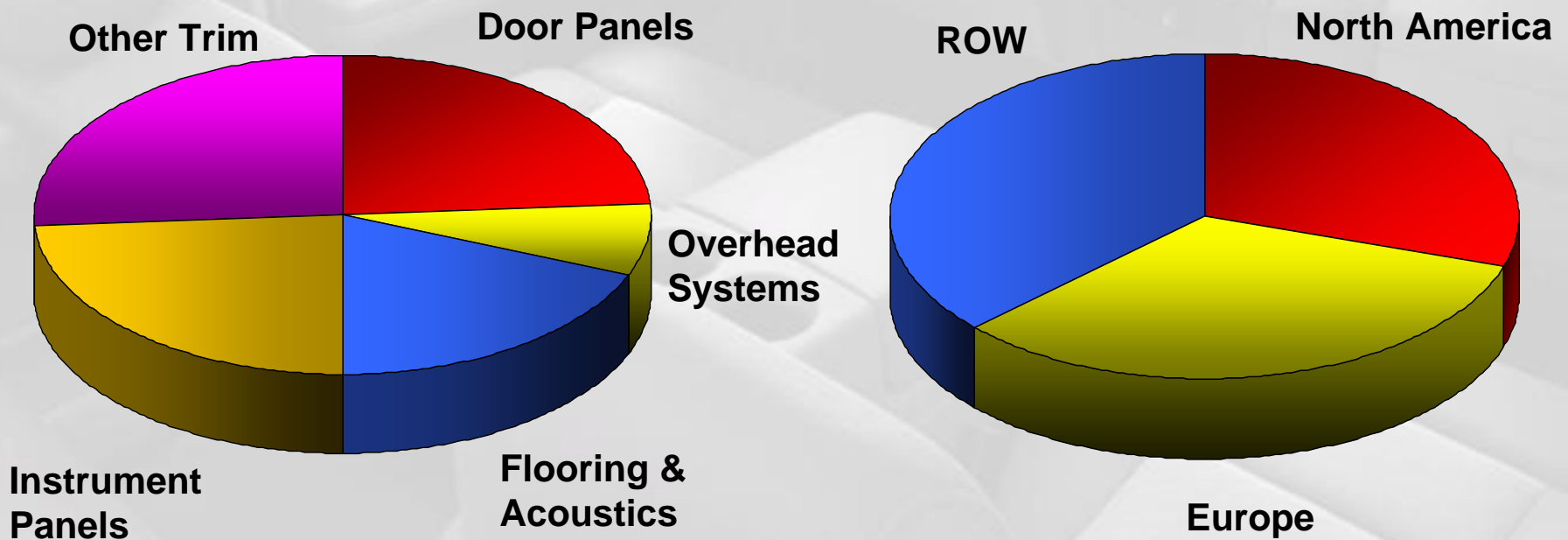


**Flooring
& Acoustics**



**Overhead
Systems**

Estimated Global Interior Products Market



Source: Lear Market Research 2004

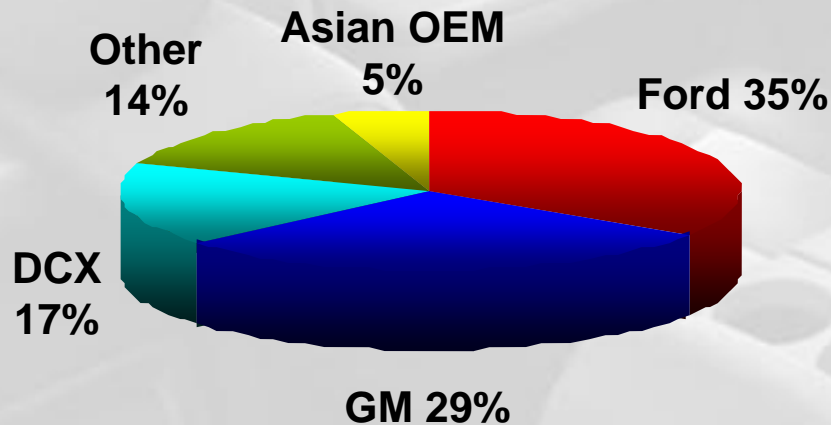
Total Global Interior Products Market Is About \$30 Billion; Cockpit Assembly Adds \$45 Billion

Interiors Business Description

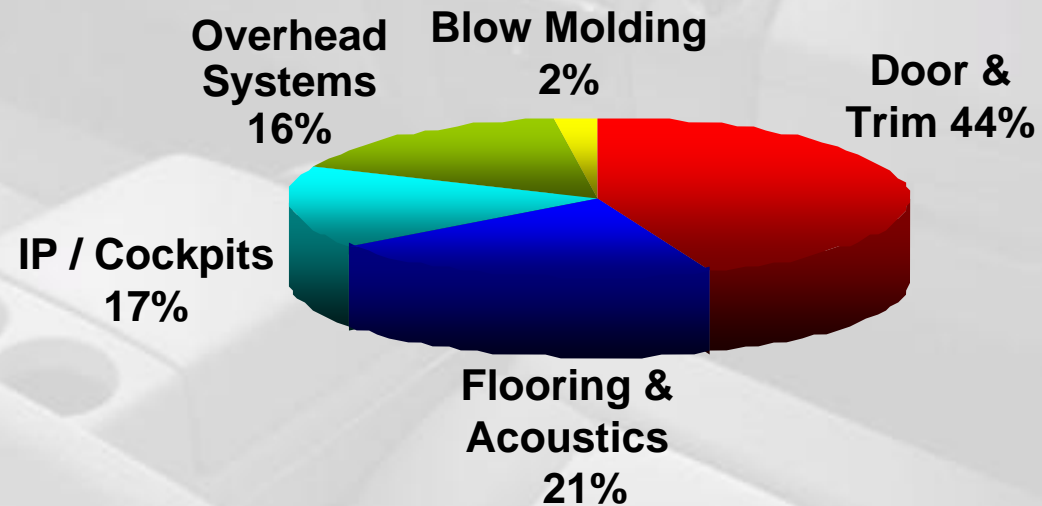
- ▶▶ Lear's Interior Systems Division is headquartered in Dearborn, MI
- ▶▶ Built significantly from acquisitions
- ▶▶ Facilities: 44 manufacturing facilities in the US, Canada, Mexico, Eastern and Western Europe
- ▶▶ Employees: ~19,000
 - Hourly ~16,000; Salaried ~3,000
- ▶▶ Global sales of about \$3 billion

Interiors Business – 2004 Sales Breakdown

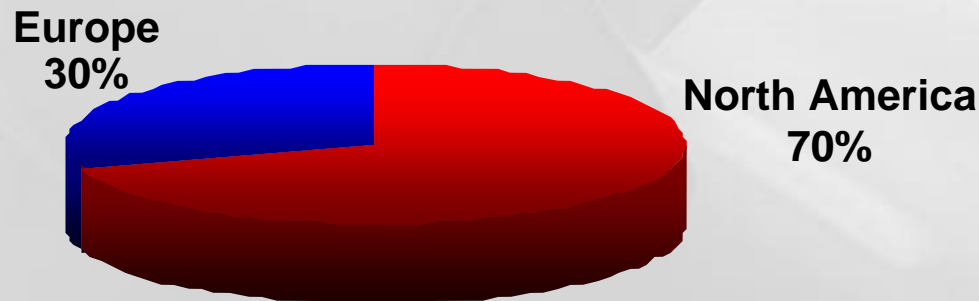
Customer



Segment



Region



Interiors Business – Key Financials

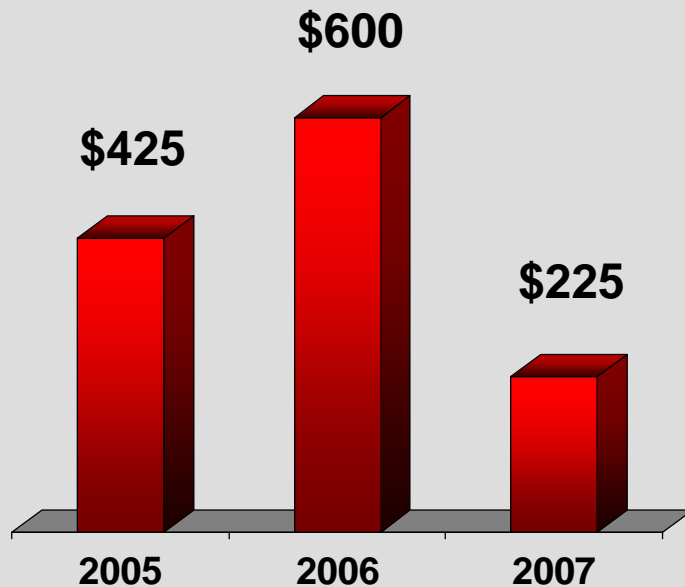
(\$ in millions)	2002	2003	2004	First Half 2005
Net sales	\$2,550	\$2,817	\$2,965	\$1,530
Income (loss) before interest, other expense & income taxes*	141	104	85	(26)
% of net sales	5.5%	3.7%	2.9%	(1.7)%
Depreciation	101	108	109	58
Capital expenditures	90	113	87	78
Goodwill	1,023	1,023	1,018	1,020
Total assets, incl. goodwill	2,302	2,435	2,449	2,527

Financial Returns Continue To Be Under Pressure

Interior Products Sales Backlog*

Sales Backlog

(in millions)



- ▶▶ Big Three represent about 85%
- ▶▶ About 90% of the interior products backlog is in North America
- ▶▶ Instrument panels/cockpits represent about 60%

Backlog Subject To Change Reflecting Outcome Of Strategy For Interior Products

Near-Term Plan*

- ▶▶ Expand and accelerate operational restructuring
 - Improve or re-source low return programs / components
 - Eliminate excess and inefficient manufacturing capacity
- ▶▶ Explore and pursue various strategic options
 - Global, regional and product line alternatives
 - Financial partners – co-invest in improvement plan / value enhancement
 - Joint venture relationships / consolidation strategy – operational synergies; achieve greater economies of scale

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

Characteristics of Lear's Product Groups

Interior Products

- ▶▶ Component orientation
- ▶▶ Capital intensive
- ▶▶ High raw material content
- ▶▶ Batch processing

Seating & Electrical Distribution

- ▶▶ Systems integration / program management
- ▶▶ Assembly / labor-intensive manufacturing
- ▶▶ Engineered component sourcing / procurement
- ▶▶ Just-in-time or sequential delivery

A grayscale, slightly blurred photograph of a car's interior, showing the steering wheel, dashboard, and front seats, serving as a background for the text.

Jim Vandenberghe

Vice Chairman

Industry Trends

- ▶▶ Consumers demanding more interior features
- ▶▶ Automakers focused on world-class interiors and “Perceptual Quality”
- ▶▶ Emphasis on the interior in automotive advertising
- ▶▶ Seating and electronic features are a priority to customers and central to the vehicle interior

Top 10 Vehicle Features for Commuters

1. Comfortable seats
2. Automatic transmission
3. Good visibility
4. In-dash CD changer or satellite radio
5. Steering wheel-mounted stereo controls
6. Controlled noise, vibration and handling
7. Good fuel economy
8. Well-designed cup holders and ample storage
9. Two power points and a hands-free voice-activated phone system
10. Reasonably compact external size

Source: Edmunds.com

***Lear Offers Solutions To Six Of Edmunds.Com's
Top Ten Features For Commuters***

Top 10 Features for Mid-Size SUV Customers

1. Power 8-way driver's seat
2. Side impact airbags (all rows)
3. RKE with remote start
4. Leather seats
5. In-dash 6-disc CD player
6. Control cluster (flip pack)
7. Fold-flat 2nd row seats
8. Traction control
9. Sunroof/moonroof
10. Overhead console with map lights, sunglass and garage door opener storage, storage bin and driver information center

Source: Lear Internal Study 2004

***Lear's Consumer Research Confirms High Demand
For Seating And Electronics Features***

Price-Resistant Features

The following features were selected at roughly the same rates in the ideal and price-constrained scenarios:

- ▶▶ Premium sound system
- ▶▶ Tire pressure monitor
- ▶▶ Integrated cell phone
- ▶▶ Cargo organizer
- ▶▶ Navigation system (audible directions only)
- ▶▶ Driver and front passenger seat memory
- ▶▶ Front passenger fold-flat seat

Source: Lear Internal Study 2004

***Even Adjusting Selection For Price Sensitivity,
Consumers Are Still Interested In Added
Seating And Electronic Features***

Priority Emphasis on the Interior

“(In the) Interior is where you spend all of your time. It makes total sense to me to want to get it right.”

J Mays, Ford

“Interiors are an area of huge focus for General Motors.”

Bob Lutz, GM

“For us, the interior has always been a priority of design.”

Helmut Panke, BMW

Interior Advertising Focuses on Lear Products



**VW Multivan
Reconfigurable Seating**



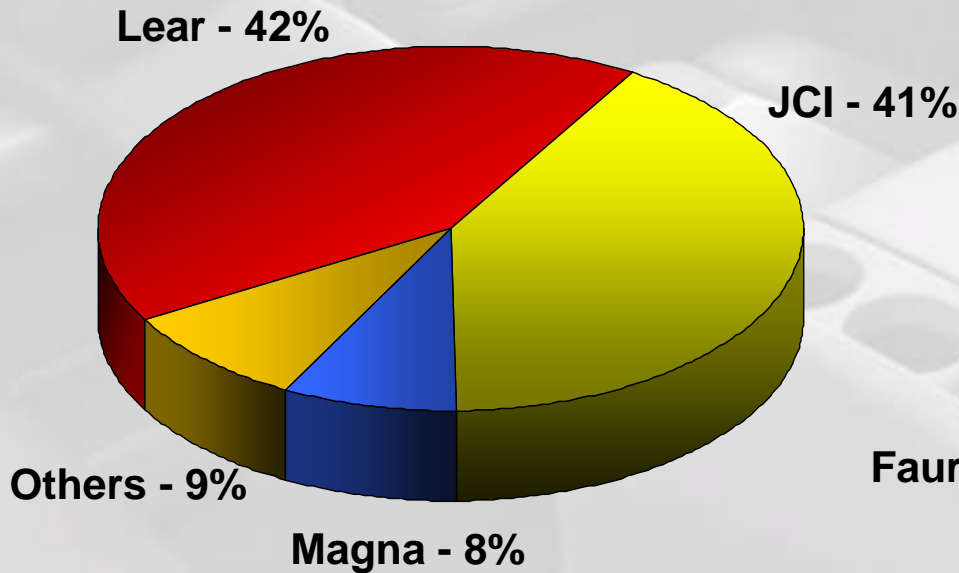
**Volvo XC90
Flexible Seating**



**BMW 3 - Series
Electronics**

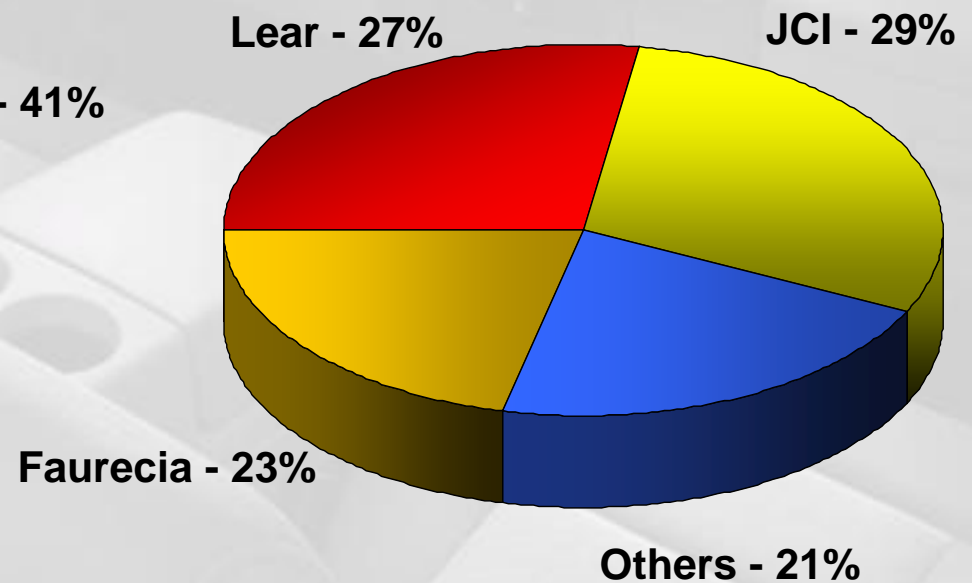
Seating Systems Market Overview

North America Market



\$14 billion

Europe Market



\$15 billion

Source: Lear Market Research 2004

***Total Global Seating Market Including
Asia / ROW About \$40 Billion***

Seating Systems Strategy*

- ▶▶ Strong growth in Asia
 - New backlog growth in 2005
 - Targeted programs with GM, VW/Audi, Proton and Tata
- ▶▶ Selective vertical integration (foam, mechanisms and trim)
- ▶▶ Global growth opportunities with new products that provide flexible seating configurations
- ▶▶ Leverage reputation as the highest quality seat manufacturer supplying multiple automakers

***Opportunity For Global Growth,
With Emphasis On Asia And With Asian Automakers***

Seating Systems Strategy – New Technology

- ▶▶ World leader in high performance seating systems in premium vehicles
 - Porsche, GM, Ford, Mercedes, BMW, Ferrari, Jaguar
 - Supports fuel economy initiatives
- ▶▶ Leverage common architecture strategy
- ▶▶ Protec Plus provides passenger support during collisions
- ▶▶ Introduce greater seating flexibility options
 - Thin profile flexible bolster seating and stadium slide seating system provide product necessary for the growing cross-over vehicle segment

Capitalize On New Technology And Product Advantages

Lear Flexible Seat Architecture

- ▶▶ Modular system that can be packaged in several vehicle environments through the utilization of power and common components
- ▶▶ Currently on over a dozen programs, totaling nearly 5 million vehicles

Benefits

- Reduced development timing, costs and capital
- Enhanced comfort and safety features
- Increased quality and craftsmanship



ProTec Plus

Provides early and sustained support to the occupant's head in a rear impact collision, relative to the first generation restraint



- ▶▶ Second generation self-aligning head restraint
- ▶▶ Significantly reduced forces and movements in the neck
- ▶▶ Improved comfort by exceeding regulatory requirements
- ▶▶ Potential for improved rear and lateral vision

Thin Profile Flexible Bolster Seating



- ▶ Provides rear-seat occupant with back and cushion bolster support
- ▶ Thin-folding seat delivers excellent interior storage space when folded
- ▶ As stylish and comfortable as the driver's seat
- ▶ Single-handed operation



Stadium Slide Seat System

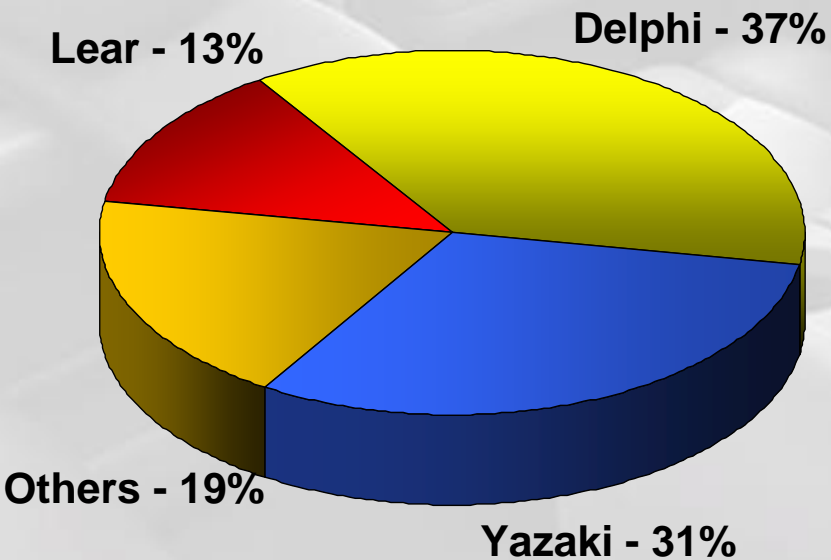


- ▶▶ Provides one-handed easy entry feature for ingress/egress to 3rd row seat
- ▶▶ Seat back reclines and folds flat
- ▶▶ Locks into stadium position
- ▶▶ Single-handed operation



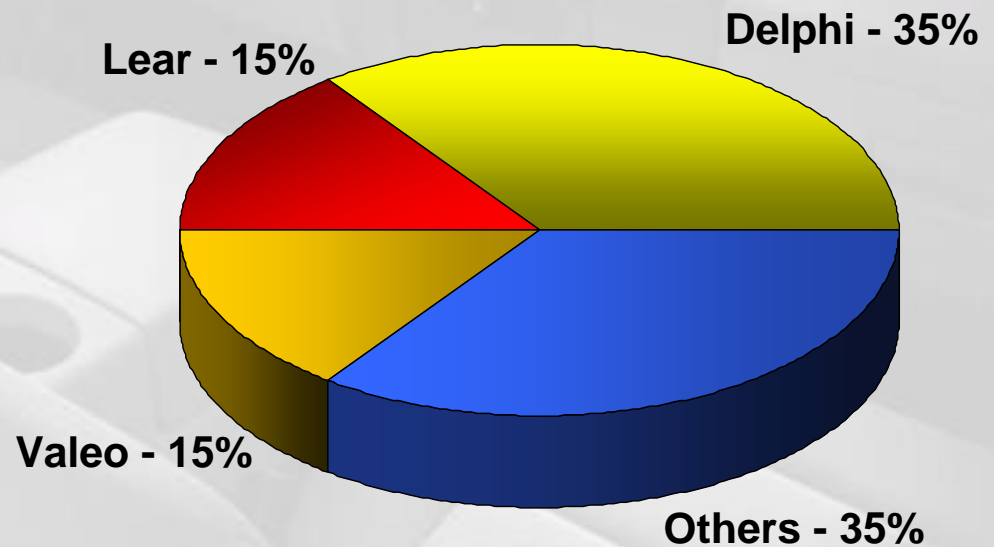
Electrical Distribution Market Overview

**North America
Market**



\$5 billion

**Europe
Market**

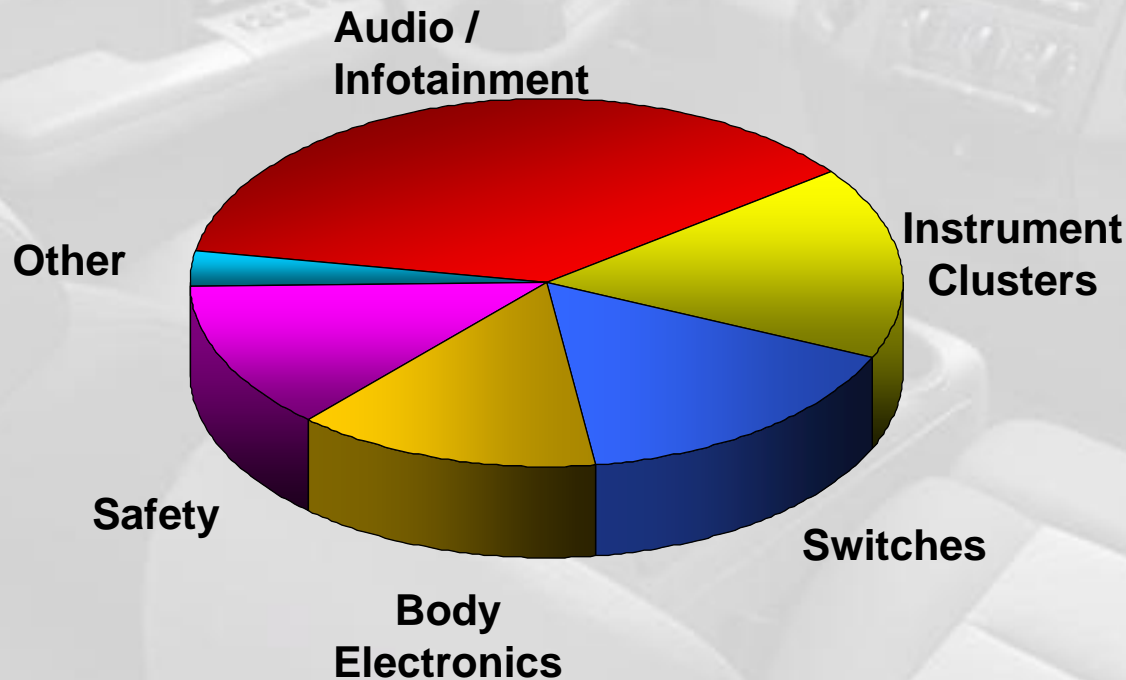


\$7 billion

Source: Lear Market Research 2004

***Total Global EDS Market Including
Asia / ROW About \$20 Billion***

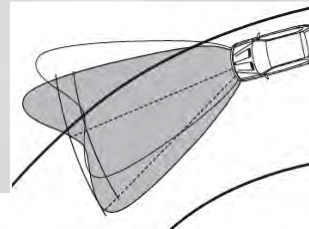
Key Global Electronics Segments



Source: Lear Market Research 2004

***Total North American And European Market Is
About \$17 Billion And Growing***

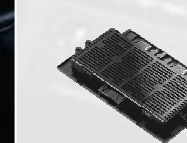
Putting it all together . . .



TV Receivers



Sound Systems



Lighting Power System



Body Controller



23 way Pinheader



Seating System



**Terminals & Connectors
for Wire Harness**



**Pre Safe Box with
Power Fuse**



**Advanced Front
Lighting System**



Jumper Start

Electrical/Electronics Systems Strategy

- ▶▶ New programs with Toyota, Hyundai, Nissan and Honda
- ▶▶ Electronics capability added in Asia
- ▶▶ Capitalize on growing consumer demand for increased electronic features and content
- ▶▶ Continue organic growth in smart junction boxes, RF technology, audio/infotainment
- ▶▶ Vertical integration value enhancement opportunities with expansion of internal T&C capability

***Opportunity For Global Growth,
With Emphasis On Asia And With Asian Automakers***

Electrical/Electronics Systems Strategy – New Technology

- ▶▶ New convenience and safety features drive added content to electrical system architecture
 - Increased circuit count
 - Smart Junction Box electronics
- ▶▶ New wireless products
 - IntelliTire™ pressure monitoring system
 - Universal Garage Door Opener
 - Two-way remote keyless entry system

Capitalize On New Technology And Product Advantages

Tire Pressure Monitoring System (IntelliTire™)

Alerts the driver to changes in tire pressure or temperature

- High volume product
- Basic TPMS functionality is U.S. government-mandated
- Base system meets regulations / premium system has more advanced features



Universal Garage Door Opener

Wireless control system that contains an integrated transmitter that can be programmed to activate radio frequency devices, such as garage doors, entry door locks and home/office lighting

- Consumers indicate high level of interest in car-to-home technology
- Works with both rolling and fixed code openers
- Best-in-class technology



Car2U™ Two-Way Remote Keyless Entry System

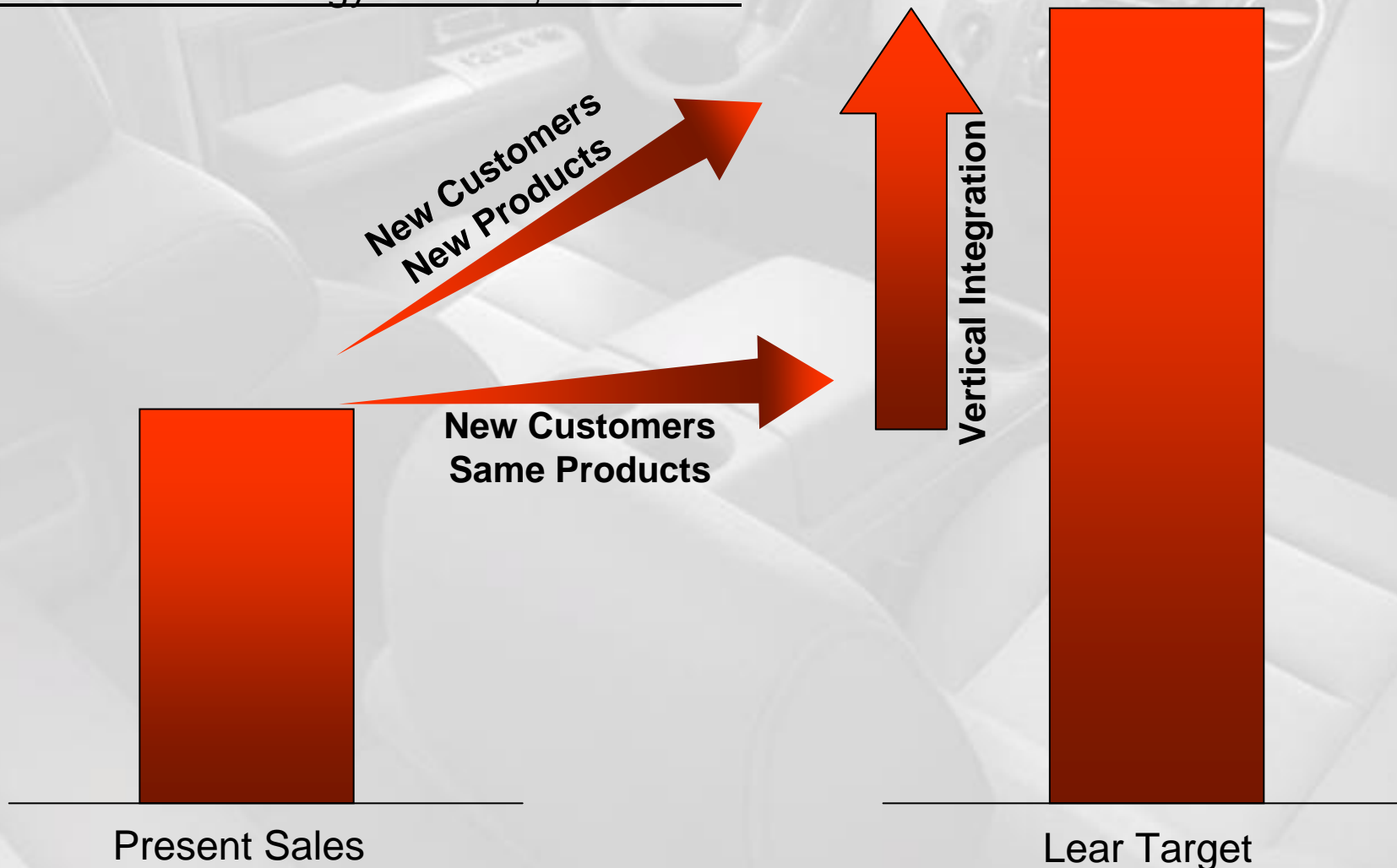
Wireless control system with an integrated transmitter/receiver that can control and display the status of the vehicle, such as engine, lock/unlock, trunk, A/C, cabin temperature and more

- Ability to download vehicle status (security, climate) instantly
- Reliable private feedback
- Confirmation of desired function execution
- Programmable features



Electrical/Electronics Systems Strategic Paths For Growth

Product – Technology Transfer, Innovation



Summary*

▶▶ Retain Core Values

- Quality first
- Continued customer service
- LBO mentality/lean and accountable

▶▶ Re-Focus Our Plan

- Focus on seating and electrical / electronics
- Improve or exit non-competitive businesses
- Selective vertical integration in tier II and tier III (with product or process innovation advantage)

▶▶ Emphasis on Execution

- Discipline in pricing new program awards
- Operational excellence
 - Optimal global production and sourcing footprint
 - Lean manufacturing
 - Global supply chain excellence
- Flawless launch management
- Flexible labor contracts

A grayscale, slightly faded image of a car's interior, showing the front seats, center console, and dashboard area, serving as a background for the text.

Q & A Session

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 “income (loss) before interest, other expense and income taxes” (core operating earnings), a non-GAAP financial measure.

Management believes that income (loss) 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. Further, management uses income (loss) before interest, other expense and income taxes for planning and forecasting in future periods.

Income (loss) before interest, other expense and income taxes should be not considered in isolation or as a substitute for net income or other income statement data prepared in accordance with GAAP or as a measure of profitability or liquidity. Also, this non-GAAP financial measure, as determined and presented by the Company, may not be comparable to related or similarly titled measures reported by other companies.

Set forth below is the reconciliation of income (loss) before interest, other expense and income taxes for the interiors business to income (loss) before income taxes:

(in millions)

<u>Income (loss) before interest, other expense and income taxes</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Income (loss) before income taxes	\$ (23.3)	\$ 50.6	\$ 49.1	\$ 120.8
Interest expense (income)	(0.2)	7.4	6.6	3.9
Other expense (income), net	<u>(2.7)</u>	<u>27.1</u>	<u>48.3</u>	<u>16.5</u>
Income (loss) before interest, other expense and income taxes (core operating earnings)	<u>\$ (26.2)</u>	<u>\$ 85.1</u>	<u>\$ 104.0</u>	<u>\$ 141.2</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, 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 outcome of customer productivity negotiations, the costs, timing and execution program launches, the costs and timing of facility closures, business realignment or similar 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, raw material cost and availability, the Company's ability to mitigate the significant impact of recent 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 free cash flow, the finalization of the Company's restructuring plan, potential impairment or other charges related to the implementation of the Company's business strategy or adverse industry conditions and other risks described from time to time in the Company's Securities and Exchange Commission filings.

This presentation also contains information on the Company's sales backlog. The Company's incremental sales backlog reflects: anticipated net sales from awarded new programs, less net sales from phased-out and cancelled programs. The calculation of backlog does not reflect customer price reductions on existing or newly-awarded programs. The three-year backlog may be impacted by various assumptions embedded in the calculation, including vehicle production levels on new and replacement programs, foreign exchange rates and the timing of program launches.

The forward-looking statements in this presentation, including the Company's financial outlook, are made as of the date hereof, and the Company does not assume any obligation to update them to reflect events, new information or circumstances occurring after the date hereof.