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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended October 3, 2020.

☐ **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: 001-11311

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 48033

(Address of principal executive offices)

(248) 447-1500

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common stock, par value $0.01	**LEA**	**New York Stock Exchange**

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 such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer ☐
Non-accelerated filer	☐	Smaller reporting company ☐
Emerging growth company	☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 27, 2020, the number of shares outstanding of the registrant's common stock was 60,038,784 shares.

LEAR CORPORATION

FORM 10-Q

For the Quarter Ended October 3, 2020

Index

LEAR CORPORATION AND SUBSIDIARIES

PART I — FINANCIAL INFORMATION

ITEM 1 — CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

We have prepared the unaudited condensed consolidated financial statements of Lear Corporation and subsidiaries 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 accounting principles generally accepted in the United States ("GAAP") have been condensed or omitted pursuant to such rules and regulations. We believe 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 our Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, for the year ended December 31, 2019.

The financial information presented reflects all adjustments (consisting of normal recurring adjustments) which are, in our opinion, necessary for a fair presentation of the results of operations, cash flows and 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
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except share data)

	October 3, 2020 (1)	December 31, 2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,250.4	$ 1,487.7
Accounts receivable	3,386.8	2,982.6
Inventories	1,265.6	1,258.2
Other	695.7	678.2
Total current assets	6,598.5	6,406.7
LONG-TERM ASSETS:		
Property, plant and equipment, net	2,627.3	2,704.2
Goodwill	1,629.0	1,614.3
Other	2,039.9	1,955.5
Total long-term assets	6,296.2	6,274.0
Total assets	$ 12,894.7	$ 12,680.7
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings	$ 4.4	$ 19.2
Accounts payable and drafts	2,943.4	2,821.7
Accrued liabilities	2,087.8	1,811.2
Current portion of long-term debt	18.9	14.1
Total current liabilities	5,054.5	4,666.2
LONG-TERM LIABILITIES:		
Long-term debt	2,299.8	2,293.7
Other	1,145.0	1,101.3
Total long-term liabilities	3,444.8	3,395.0
Redeemable noncontrolling interest	119.3	118.4
EQUITY:		
Preferred stock, 100,000,000 shares authorized (including 10,896,250 Series A convertible preferred stock authorized); no shares outstanding	-	-
Common stock, $0.01 par value, 300,000,000 shares authorized; 64,563,291 shares issued as of October 3, 2020 and December 31, 2019	0.6	0.6
Additional paid-in capital	957.5	969.1
Common stock held in treasury, 4,577,977 and 4,127,806 shares as of October 3, 2020 and December 31, 2019, respectively, at cost	(606.3)	(563.1)
Retained earnings	4,620.7	4,715.8
Accumulated other comprehensive loss	(839.7)	(772.7)
Lear Corporation stockholders’ equity	4,132.8	4,349.7
Noncontrolling interests	143.3	151.4
Equity	4,276.1	4,501.1
Total liabilities and equity	$ 12,894.7	$ 12,680.7

(1) Unaudited

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

LEAR CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited; in millions, except share and per share data)

	Three Months Ended		Nine Months Ended	
	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Net sales	$ 4,900.1	$ 4,825.0	$ 11,802.3	$ 14,992.7
Cost of sales	4,457.3	4,365.7	11,152.7	13,582.0
Selling, general and administrative expenses	147.7	141.9	442.3	447.3
Amortization of intangible assets	16.3	16.7	49.4	45.3
Interest expense	26.5	24.0	78.1	69.4
Other expense, net	17.1	9.7	54.4	27.9
Consolidated income before provision for income taxes and equity in net income of affiliates	235.2	267.0	25.4	820.8
Provision for income taxes	44.6	33.5	30.1	149.9
Equity in net income of affiliates	(6.5)	(5.1)	(15.9)	(15.8)
Consolidated net income	197.1	238.6	11.2	686.7
Less: Net income attributable to noncontrolling interests	22.7	22.7	54.3	59.1
Net income (loss) attributable to Lear	**$ 174.4**	**$ 215.9**	**$ (43.1)**	**$ 627.6**
Basic net income (loss) per share available to Lear common stockholders (Note 14)	**$ 2.90**	**$ 3.59**	**$ (0.72)**	**$ 10.27**
Diluted net income (loss) per share available to Lear common stockholders (Note 14)	**$ 2.89**	**$ 3.58**	**$ (0.72)**	**$ 10.23**
Cash dividends declared per share	**$ -**	**$ 0.75**	**$ 0.77**	**$ 2.25**
Average common shares outstanding	**60,159,356**	**61,133,723**	**60,260,886**	**62,042,156**
Average diluted shares outstanding	**60,330,941**	**61,330,086**	**60,260,886**	**62,262,903**
Consolidated comprehensive income (loss) (Condensed Consolidated Statements of Equity)	$ 290.7	$ 96.1	$ (49.2)	$ 552.7
Less: Comprehensive income attributable to noncontrolling interests	33.0	11.3	60.9	48.6
Comprehensive income (loss) attributable to Lear	$ 257.7	$ 84.8	$ (110.1)	$ 504.1

The accompanying notes are an integral part of these condensed consolidated statements.

LEAR CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited; in millions, except share and per share data)

	Three Months Ended October 3, 2020					
	Common Stock	Additional Paid-In Capital	Common Stock Held in Treasury	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Lear Corporation Stockholders' Equity
Balance at July 4, 2020	$ 0.6	$ 955.6	$ (612.6)	$ 4,447.1	$ (923.0)	$ 3,867.7
Comprehensive income:						
Net income	-	-	-	174.4	-	174.4
Other comprehensive income	-	-	-	-	83.3	83.3
Total comprehensive income	-	-	-	174.4	83.3	257.7
Stock-based compensation	-	9.1	-	-	-	9.1
Net issuance of 45,531 shares held in treasury in settlement of stock-based compensation	-	(7.2)	6.3	(0.8)	-	(1.7)
Dividends declared to noncontrolling interest holders	-	-	-	-	-	-
Balance at October 3, 2020	$ 0.6	$ 957.5	$ (606.3)	$ 4,620.7	$ (839.7)	$ 4,132.8

	Nine Months Ended October 3, 2020					
	Common Stock	Additional Paid-In Capital	Common Stock Held in Treasury	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Lear Corporation Stockholders' Equity
Balance at January 1, 2020	$ 0.6	$ 969.1	$ (563.1)	$ 4,715.8	$ (772.7)	$ 4,349.7
Comprehensive income (loss):						
Net income (loss)	-	-	-	(43.1)	-	(43.1)
Other comprehensive income (loss)	-	-	-	-	(67.0)	(67.0)
Total comprehensive income (loss)	-	-	-	(43.1)	(67.0)	(110.1)
Adoption of accounting standard update 2016-13 (Note 18)	-	-	-	(0.8)	-	(0.8)
Stock-based compensation	-	25.5	-	-	-	25.5
Net issuance of 190,978 shares held in treasury in settlement of stock-based compensation	-	(37.1)	26.8	(3.3)	-	(13.6)
Repurchase of 641,149 shares of common stock at average price of $109.22 per share	-	-	(70.0)	-	-	(70.0)
Dividends declared to Lear Corporation stockholders	-	-	-	(46.8)	-	(46.8)
Dividends declared to noncontrolling interest holders	-	-	-	-	-	-
Redeemable noncontrolling interest adjustment	-	-	-	(1.1)	-	(1.1)
Balance at October 3, 2020	$ 0.6	$ 957.5	$ (606.3)	$ 4,620.7	$ (839.7)	$ 4,132.8

The accompanying notes are an integral part of these condensed consolidated statements.

LEAR CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (continued)
(Unaudited; in millions, except share and per share data)

	Three Months Ended October 3, 2020			
	Lear Corporation Stockholders' Equity	Non-controlling Interests	Equity	Redeemable Non-controlling Interests
Balance at July 4, 2020	$ 3,867.7	$ 115.5	$ 3,983.2	$ 114.3
Comprehensive income:				
Net income	174.4	22.4	196.8	0.3
Other comprehensive income	83.3	5.6	88.9	4.7
Total comprehensive income	257.7	28.0	285.7	5.0
Stock-based compensation	9.1	-	9.1	-
Net issuance of 45,531 shares held in treasury in settlement of stock-based compensation	(1.7)	-	(1.7)	-
Dividends declared to noncontrolling interest holders	-	(0.2)	(0.2)	-
Balance at October 3, 2020	$ 4,132.8	$ 143.3	$ 4,276.1	$ 119.3

	Nine Months Ended October 3, 2020			
	Lear Corporation Stockholders' Equity	Non-controlling Interests	Equity	Redeemable Non-controlling Interests
Balance at January 1, 2020	$ 4,349.7	$ 151.4	$ 4,501.1	$ 118.4
Comprehensive income (loss):				
Net income (loss)	(43.1)	57.5	14.4	(3.2)
Other comprehensive income (loss)	(67.0)	3.6	(63.4)	3.0
Total comprehensive income (loss)	(110.1)	61.1	(49.0)	(0.2)
Adoption of accounting standard update 2016-13 (Note 18)	(0.8)	-	(0.8)	-
Stock-based compensation	25.5	-	25.5	-
Net issuance of 190,978 shares held in treasury in settlement of stock-based compensation	(13.6)	-	(13.6)	-
Repurchase of 641,149 shares of common stock at average price of $109.22 per share	(70.0)	-	(70.0)	-
Dividends declared to Lear Corporation stockholders	(46.8)	-	(46.8)	-
Dividends declared to noncontrolling interest holders	-	(69.2)	(69.2)	-
Redeemable noncontrolling interest adjustment	(1.1)	-	(1.1)	1.1
Balance at October 3, 2020	$ 4,132.8	$ 143.3	$ 4,276.1	$ 119.3

The accompanying notes are an integral part of these condensed consolidated statements.

LEAR CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (continued)
(Unaudited; in millions, except share and per share data)

	Three Months Ended September 28, 2019					
	Common Stock	Additional Paid-In Capital	Common Stock Held in Treasury	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Lear Corporation Stockholders' Equity
Balance at June 29, 2019	$ 0.6	$ 965.3	$ (466.6)	$ 4,435.3	$ (698.2)	$ 4,236.4
Comprehensive income (loss):						
Net income	-	-	-	215.9	-	215.9
Other comprehensive loss	-	-	-	-	(131.1)	(131.1)
Total comprehensive income (loss)	-	-	-	215.9	(131.1)	84.8
Stock-based compensation	-	1.7	-	-	-	1.7
Net issuance of 23,726 shares held in treasury in settlement of stock-based compensation	-	(3.9)	3.5	(0.7)	-	(1.1)
Repurchase of 616,635 shares of common stock at average price of $123.06 per share	-	-	(75.9)	-	-	(75.9)
Dividends declared to Lear Corporation stockholders	-	-	-	(45.7)	-	(45.7)
Dividends declared to noncontrolling interest holders	-	-	-	-	-	-
Changes in noncontrolling interests	-	-	-	-	-	-
Redeemable noncontrolling interest adjustment	-	-	-	3.6	-	3.6
Balance at September 28, 2019	$ 0.6	$ 963.1	$ (539.0)	$ 4,608.4	$ (829.3)	$ 4,203.8

	Nine Months Ended September 28, 2019					
	Common Stock	Additional Paid-In Capital	Common Stock Held in Treasury	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Lear Corporation Stockholders' Equity
Balance at January 1, 2019	$ 0.6	$ 1,017.4	$ (225.1)	$ 4,113.6	$ (705.8)	$ 4,200.7
Comprehensive income (loss):						
Net income	-	-	-	627.6	-	627.6
Other comprehensive loss	-	-	-	-	(123.5)	(123.5)
Total comprehensive income (loss)	-	-	-	627.6	(123.5)	504.1
Stock-based compensation	-	16.0	-	-	-	16.0
Net issuance of 308,538 shares held in treasury in settlement of stock-based compensation	-	(70.3)	41.5	(1.9)	-	(30.7)
Repurchase of 2,603,881 shares of common stock at average price of $136.48 per share	-	-	(355.4)	-	-	(355.4)
Dividends declared to Lear Corporation stockholders	-	-	-	(140.3)	-	(140.3)
Dividends declared to noncontrolling interest holders	-	-	-	-	-	-
Changes in noncontrolling interests	-	-	-	-	-	-
Redeemable noncontrolling interest adjustment	-	-	-	9.4	-	9.4
Acquisition of outstanding noncontrolling interest	-	-	-	-	-	-
Balance at September 28, 2019	$ 0.6	$ 963.1	$ (539.0)	$ 4,608.4	$ (829.3)	$ 4,203.8

The accompanying notes are an integral part of these condensed consolidated statements.

Table of Contents

LEAR CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (continued)
(Unaudited; in millions, except share and per share data)

	Three Months Ended September 28, 2019			
	Lear Corporation Stockholders' Equity	Non-controlling Interests	Equity	Redeemable Non-controlling Interests
Balance at June 29, 2019	$ 4,236.4	$ 163.1	$ 4,399.5	$ 155.0
Comprehensive income (loss):				
Net income	215.9	22.0	237.9	0.7
Other comprehensive loss	(131.1)	(5.8)	(136.9)	(5.6)
Total comprehensive income (loss)	84.8	16.2	101.0	(4.9)
Stock-based compensation	1.7	-	1.7	-
Net issuance of 23,726 shares held in treasury in settlement of stock-based compensation	(1.1)	-	(1.1)	-
Repurchase of 616,635 shares of common stock at average price of $123.06 per share	(75.9)	-	(75.9)	-
Dividends declared to Lear Corporation stockholders	(45.7)	-	(45.7)	-
Dividends declared to noncontrolling interest holders	-	(2.4)	(2.4)	-
Changes in noncontrolling interests	-	(5.6)	(5.6)	-
Redeemable noncontrolling interest adjustment	3.6	-	3.6	(3.6)
Balance at September 28, 2019	$ 4,203.8	$ 171.3	$ 4,375.1	$ 146.5

	Nine Months Ended September 28, 2019			
	Lear Corporation Stockholders' Equity	Non-controlling Interests	Equity	Redeemable Non-controlling Interests
Balance at January 1, 2019	$ 4,200.7	$ 159.9	$ 4,360.6	$ 158.1
Comprehensive income (loss):				
Net income	627.6	56.1	683.7	3.0
Other comprehensive loss	(123.5)	(5.3)	(128.8)	(5.2)
Total comprehensive income (loss)	504.1	50.8	554.9	(2.2)
Stock-based compensation	16.0	-	16.0	-
Net issuance of 308,538 shares held in treasury in settlement of stock-based compensation	(30.7)	-	(30.7)	-
Repurchase of 2,603,881 shares of common stock at average price of $136.48 per share	(355.4)	-	(355.4)	-
Dividends declared to Lear Corporation stockholders	(140.3)	-	(140.3)	-
Dividends declared to noncontrolling interest holders	-	(33.6)	(33.6)	-
Changes in noncontrolling interests	-	(5.6)	(5.6)	-
Redeemable noncontrolling interest adjustment	9.4	-	9.4	(9.4)
Acquisition of outstanding noncontrolling interest	-	(0.2)	(0.2)	-
Balance at September 28, 2019	$ 4,203.8	$ 171.3	$ 4,375.1	$ 146.5

The accompanying notes are an integral part of these condensed consolidated statements.

LEAR CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in millions)

	Nine Months Ended	
	October 3, 2020	September 28, 2019
Cash Flows from Operating Activities:		
Consolidated net income	$ 11.2	$ 686.7
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	397.1	380.4
Net change in recoverable customer engineering, development and tooling	(63.4)	(73.4)
Net change in working capital items (see below)	(138.1)	(162.0)
Loss on extinguishment of debt	21.1	10.6
Other, net	34.4	(43.0)
Net cash provided by operating activities	262.3	799.3
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(285.3)	(410.1)
Acquisition, net of acquired cash	-	(321.7)
Other, net	(11.8)	(7.5)
Net cash used in investing activities	(297.1)	(739.3)
Cash Flows from Financing Activities:		
Revolving credit facility borrowings	1,000.0	-
Revolving credit facility repayments	(1,000.0)	-
Proceeds from the issuance of senior notes	669.1	693.3
Redemption of senior notes	(667.1)	(333.7)
Term loan repayments	(9.4)	(3.1)
Short-term borrowings (repayments), net	(14.9)	9.5
Payment of debt issuance and other financing costs	(6.9)	(6.5)
Repurchase of common stock	(70.0)	(359.7)
Dividends paid to Lear Corporation stockholders	(52.0)	(141.1)
Dividends paid to noncontrolling interests	(45.8)	(33.6)
Other, net	(14.8)	(61.6)
Net cash used in financing activities	(211.8)	(236.5)
Effect of foreign currency translation	(5.6)	(20.0)
Net Change in Cash, Cash Equivalents and Restricted Cash	(252.2)	(196.5)
Cash, Cash Equivalents and Restricted Cash as of Beginning of Period	1,510.4	1,519.8
Cash, Cash Equivalents and Restricted Cash as of End of Period	$ 1,258.2	$ 1,323.3
Changes in Working Capital Items:		
Accounts receivable	$ (416.9)	$ (513.5)
Inventories	(13.6)	(123.5)
Accounts payable	124.0	208.8
Accrued liabilities and other	168.4	266.2
Net change in working capital items	$ (138.1)	$ (162.0)
Supplementary Disclosure:		
Cash paid for interest	$ 83.7	$ 85.2
Cash paid for income taxes, net of refunds received	$ 85.3	$ 133.7

The accompanying notes are an integral part of these condensed consolidated statements.

LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

Lear Corporation ("Lear," and together with its consolidated subsidiaries, the "Company") and its affiliates design and manufacture automotive seating and electrical distribution systems and related components. The Company’s main customers are automotive original equipment manufacturers. The Company operates facilities worldwide.

The accompanying condensed consolidated financial statements include the accounts of Lear, a Delaware corporation, and the wholly owned and less than wholly owned subsidiaries controlled by Lear. In addition, Lear consolidates all entities, including variable interest entities, in which it has a controlling financial interest. Investments in affiliates in which Lear does not have control, but does have the ability to exercise significant influence over operating and financial policies, are accounted for under the equity method.

The Company’s annual financial results are reported on a calendar year basis, and quarterly interim results are reported using a thirteen week reporting calendar.

(2) Impact of COVID-19 Pandemic

Unprecedented industry disruptions related to the COVID-19 pandemic impacted operations in every region of the world. The Company's operations in China were impacted first, with most plants in the country closed for several weeks during the first quarter. At the end of the first quarter, all of the Company's facilities in China were operating and capacity utilization was increasing. Beginning in mid-March, the Company's operations in Europe, North America, South America and Asia (outside of China) were impacted, with virtually all of its plants closed at the end of the first quarter and closures continuing throughout April and, in most cases, a portion of May. Although manufacturing resumed gradually, most of the Company's plants in its major markets were operating at pre-COVID-19 levels at the end of the second quarter and throughout the third quarter. The Company experienced significant inefficiencies and incremental costs related to the COVID-19 pandemic in the first half of the year, which diminished toward the end of the second quarter. In the third quarter, the Company experienced less significant but ongoing costs related to personal protective equipment, employee transportation and higher labor costs reflecting an increase in absenteeism.

Various government programs have been enacted to provide financial relief for businesses affected by the COVID-19 pandemic. In the first nine months of 2020, the Company recognized approximately $95 million of government assistance primarily related to the reimbursement of certain employee costs. The Company recognizes such assistance as a reduction of the related costs as such costs are incurred and the Company is reasonably assured to receive payment.

Although industry production has returned to pre-COVID-19 levels, partially due to the customers' need to replenish inventory levels, it is likely that, for a period of time, the global automotive industry will experience lower demand for new vehicles as a result of the global economic slowdown caused by the COVID-19 pandemic, as new vehicle sales are typically correlated with positive consumer confidence and low unemployment. Further, a resurgence of the virus with corresponding shelter-in-place orders impacting industry production later in 2020 or in 2021 could also impact the Company's financial results.

The accompanying condensed consolidated financial statements reflect estimates and assumptions made by management as of October 3, 2020, and for the nine months then ended. Such estimates and assumptions affect, among other things, the Company's goodwill, long-lived asset and indefinite-lived intangible asset valuations; inventory valuations; assessment of the annual effective tax rate; valuation of deferred income taxes and income tax contingencies; and credit losses related to our financial instruments. Events and circumstances arising after October 3, 2020, including those resulting from the impact of the COVID-19 pandemic, will be reflected in management's estimates and assumptions in future periods.

For more information related to goodwill, see Note 7, "Goodwill," herein and Note 2, "Summary of Significant Accounting Policies — Impairment of Goodwill and Intangible Assets," to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019. For more information related to income taxes, see Note 13, "Income Taxes," herein and Note 2, "Summary of Significant Accounting Policies — Income Taxes," to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

(3) Restructuring

Restructuring costs include employee termination benefits, asset impairment charges and contract termination costs, as well as other incremental costs resulting from the restructuring actions. Employee termination benefits are recorded based on existing union and employee contracts, statutory requirements, completed negotiations and Company policy. Other incremental costs principally include equipment and personnel relocation costs. In addition to restructuring costs, the Company incurs incremental manufacturing inefficiency costs at the operating locations impacted by the restructuring actions during the related restructuring implementation period. Restructuring costs are recognized in the Company’s condensed consolidated financial statements in accordance with GAAP. Generally, charges are recorded as restructuring actions are approved and/or implemented.

In the first nine months of 2020, the Company recorded charges of $119.3 million in connection with its restructuring actions. These charges consist of $83.0 million recorded as cost of sales, $23.4 million recorded as selling, general and administrative expenses and $12.9 million recorded as other expense, net. The restructuring charges consist of employee termination costs of $84.3 million, asset impairment charges of $14.5 million, contract termination costs of $0.9 million and a pension benefit plan settlement loss of $10.2 million, as well as other related costs of $9.4 million. Employee termination benefits were recorded based on existing union and employee contracts, statutory requirements, completed negotiations and Company policy. Asset impairment charges relate to the disposal of buildings, leasehold improvements and/or machinery and equipment with carrying values of $12.5 million in excess of related estimated fair values and the impairment of right-of-use assets of $2.0 million.

The Company expects to incur approximately $30 million of additional restructuring costs related to activities initiated as of October 3, 2020, and expects that the components of such costs will be consistent with its historical experience. Any future restructuring actions will depend upon market conditions, customer actions and other factors.

A summary of 2020 activity, excluding the pension benefit plan settlement loss of $10.2 million, is shown below (in millions):

	Accrual as of January 1, 2020	2020 Charges	Utilization		Accrual as of October 3, 2020
			Cash	Non-cash	
Employee termination benefits	$ 152.8	$ 84.3	$ (104.9)	$ -	$ 132.2
Asset impairment charges	-	14.5	-	(14.5)	-
Contract termination costs	4.9	0.9	(1.0)	-	4.8
Other related costs	-	9.4	(9.4)	-	-
Total	$ 157.7	$ 109.1	$ (115.3)	$ (14.5)	$ 137.0

(4) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method. Finished goods and work-in-process inventories include material, labor and manufacturing overhead costs.

A summary of inventories is shown below (in millions):

	October 3, 2020	December 31, 2019
Raw materials	$ 954.7	$ 906.3
Work-in-process	110.4	107.0
Finished goods	364.9	380.4
Reserves	(164.4)	(135.5)
Inventories	$ 1,265.6	$ 1,258.2

(5) Pre-Production Costs Related to Long-Term Supply Agreements

The Company incurs pre-production engineering and development ("E&D") and tooling costs related to the products produced for its customers under long-term supply agreements. The Company expenses all pre-production E&D costs for which reimbursement is not contractually guaranteed by the customer. In addition, the Company expenses all pre-production tooling costs related to customer-owned tools for which reimbursement is not contractually guaranteed by the customer or for which the Company does not have a non-cancelable right to use the tooling.

During the first nine months of 2020 and 2019, the Company capitalized $111.1 million and $174.8 million, respectively, of pre-production E&D costs for which reimbursement is contractually guaranteed by the customer. During the first nine months of 2020 and 2019, the Company also capitalized $130.2 million and $126.7 million, respectively, of pre-production tooling costs related to customer-owned tools for which reimbursement is contractually guaranteed by the customer or for which the Company has a non-cancelable right to use the tooling. These amounts are included in other current and long-term assets in the accompanying condensed consolidated balance sheets.

During the first nine months of 2020 and 2019, the Company collected $184.5 million and $243.5 million, respectively, of cash related to E&D and tooling costs.

Table of Contents

The classification of recoverable customer E&D and tooling costs related to long-term supply agreements is shown below (in millions):

	October 3, 2020	December 31, 2019
Current	$ 203.2	$ 157.2
Long-term	135.6	113.8
Recoverable customer E&D and tooling	$ 338.8	$ 271.0

(6) Long-Term Assets

Property, Plant and Equipment

Property, plant and equipment is stated at cost. Costs associated with the repair and maintenance of the Company's property, plant and equipment are expensed as incurred. Costs associated with improvements which extend the life, increase the capacity or improve the efficiency or safety of the Company's property, plant and equipment are capitalized and depreciated over the remaining useful life of the related asset. 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):

	October 3, 2020	December 31, 2019
Land	$ 111.9	$ 113.1
Buildings and improvements	838.1	831.3
Machinery and equipment	4,124.7	3,844.1
Construction in progress	271.5	382.4
Total property, plant and equipment	5,346.2	5,170.9
Less – accumulated depreciation	(2,718.9)	(2,466.7)
Property, plant and equipment, net	$ 2,627.3	$ 2,704.2

Depreciation expense was $120.0 million and $111.8 million in the three months ended October 3, 2020 and September 28, 2019, respectively, and $347.7 million and $335.1 million in the nine months ended October 3, 2020 and September 28, 2019, respectively.

The Company monitors its long-lived assets for impairment indicators on an ongoing basis in accordance with GAAP. If impairment indicators exist, the Company performs the required impairment analysis by comparing the undiscounted cash flows expected to be generated from the long-lived assets to the related net book values. If the net book value exceeds the undiscounted cash flows, an impairment loss is measured and recognized.

In the first nine months of 2020 and 2019, the Company recognized asset impairment charges of $12.5 million and $4.0 million, respectively, in conjunction with its restructuring actions (Note 3, "Restructuring"). In the nine months ended October 3, 2020, the Company recognized additional asset impairment charges of $3.4 million. The Company will continue to assess the impact of significant industry and other events on the realization of its long-lived assets.

Investment in Affiliates

In July 2019, the Company deconsolidated Guangzhou Automobile Group Component Co., Ltd ("GACC") as it no longer controls this entity. As a result, the carrying values of the assets and liabilities of GACC are not reflected in the condensed consolidated balance sheets as of October 3, 2020 and December 31, 2019. In addition, the Company recorded a gain of $4.0 million related to the excess of the estimated fair value over the carrying value of its interest in GACC immediately prior to deconsolidation. The gain is included in other expense, net in the accompanying condensed consolidated statements of comprehensive income (loss) for the three and nine months ended September 28, 2019.

(7) Goodwill

A summary of the changes in the carrying amount of goodwill, by operating segment, in the nine months ended October 3, 2020, is shown below (in millions):

	Seating	E-Systems	Total
Balance at January 1, 2020	$ 1,235.4	$ 378.9	$ 1,614.3
Foreign currency translation and other	11.2	3.5	14.7
Balance at October 3, 2020	$ 1,246.6	$ 382.4	$ 1,629.0

Goodwill is not amortized but is tested for impairment on at least an annual basis. Impairment testing is required more often than annually if an event or circumstance indicates that an impairment is more likely than not to have occurred. In conducting its annual impairment testing, the Company may first perform a qualitative assessment of whether it is more likely than not that a reporting unit’s fair value is less than its carrying amount. If not, no further goodwill impairment testing is required. If it is more likely than not that a reporting unit’s fair value is less than its carrying amount, or if the Company elects not to perform a qualitative assessment of a reporting unit, the Company then compares the fair value of the reporting unit to the related net book value. If the net book value of a reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited to the total amount of goodwill recorded. The Company conducts its annual impairment testing as of the first day of its fourth quarter.

During the first quarter of 2020, an interim goodwill impairment analysis related to one of the Company’s reporting units within its E-Systems operating segment was performed, largely due to industry disruptions resulting from the COVID-19 pandemic. The goodwill impairment analysis reflected the Company’s best estimates of the COVID-19 pandemic’s ultimate impact on industry conditions, including consumer demand, as well as economic recovery. The results of the quantitative analysis indicated that the fair value of the reporting unit exceeded the related carrying value. During the third quarter of 2020, the Company determined that it was not more likely than not that this reporting unit was impaired.

There was no impairment of goodwill in the first nine months of 2020 and 2019. The Company will, however, continue to assess the impact of significant industry and other events on its recorded goodwill.

(**8**) Debt

A summary of long-term debt, net of unamortized debt issuance costs and unamortized original issue premium (discount), and the related weighted average interest rates is shown below (in millions):

	October 3, 2020				
Debt Instrument	Long-Term Debt	Unamortized Debt Issuance Costs	Unamortized Original Issue Premium (Discount)	Long-Term Debt, Net	Weighted Average Interest Rate
Credit Agreement — Term Loan Facility	$ 225.0	$ (0.7)	$ -	$ 224.3	1.360%
3.8% Senior Notes due 2027 (the "2027 Notes")	750.0	(4.2)	(3.7)	742.1	3.885%
4.25% Senior Notes due 2029 (the "2029 Notes")	375.0	(2.7)	(1.0)	371.3	4.288%
3.5% Senior Notes due 2030 (the "2030 Notes")	350.0	(2.7)	(0.7)	346.6	3.525%
5.25% Senior Notes due 2049 (the "2049 Notes")	625.0	(6.3)	14.3	633.0	5.103%
Other	1.4	-	-	1.4	N/A
	$ 2,326.4	$ (16.6)	$ 8.9	2,318.7	
Less — Current portion				(18.9)	
Long-term debt				$ 2,299.8	

	December 31, 2019				
Debt Instrument	Long-Term Debt	Unamortized Debt Issuance Costs	Unamortized Original Issue Discount	Long-Term Debt, Net	Weighted Average Interest Rate
Credit Agreement — Term Loan Facility	$ 234.4	$ (1.0)	$ -	$ 233.4	2.880%
5.25% Senior Notes due 2025 (the "2025 Notes")	650.0	(4.2)	-	645.8	5.250%
2027 Notes	750.0	(4.7)	(4.1)	741.2	3.885%
2029 Notes	375.0	(2.9)	(1.1)	371.0	4.288%
2049 Notes issued 2019	325.0	(3.3)	(5.3)	316.4	5.363%
	$ 2,334.4	$ (16.1)	$ (10.5)	2,307.8	
Less — Current portion				(14.1)	
Long-term debt				$ 2,293.7	

Senior Notes

The issuance, maturity and interest payment dates of the Company's senior unsecured 2027 Notes, 2029 Notes, 2030 Notes and 2049 Notes (together, the "Notes") are shown below:

Note	Issuance Date(s)	Maturity Date	Interest Payment Dates
2027 Notes	August 2017	September 15, 2027	March 15 and September 15
2029 Notes	May 2019	May 15, 2029	May 15 and November 15
2030 Notes	February 2020	May 30, 2030	May 30 and November 30
2049 Notes	May 2019 and February 2020	May 15, 2049	May 15 and November 15

In February 2020, the Company issued $350.0 million in aggregate principal amount at maturity of 2030 Notes and an additional $300.0 million in aggregate principal amount at maturity of 2049 Notes. The 2030 Notes have a stated coupon rate of 3.5% and were issued at 99.774% of par, resulting in a yield to maturity of 3.525%. The 2049 Notes have a stated coupon rate of 5.25% and were issued at 106.626% of par, resulting in a yield to maturity of 4.821%.

The net proceeds from the offering were $669.1 million after original issue discount. The proceeds were used to redeem the $650.0 million in aggregate principal amount of 2025 Notes at a redemption price equal to 102.625% of the principal amount of such 2025 Notes, plus accrued interest.

In connection with these transactions, the Company recognized a loss of $21.1 million on the extinguishment of debt and paid related issuance costs of $5.9 million in the nine months ended October 3, 2020.

Covenants

Subject to certain exceptions, the indentures governing the Notes contain certain investment-grade style restrictive covenants that, among other things, limit the ability of the Company to: (i) create or permit certain liens and (ii) consolidate, merge or sell all or substantially all of the Company's assets. The indentures governing the Notes also provide for customary events of default.

As of October 3, 2020, the Company was in compliance with all covenants under the indentures governing the Notes.

Credit Agreement

The Company's unsecured credit agreement (the "Credit Agreement"), dated August 8, 2017, consists of a $1.75 billion revolving credit facility (the "Revolving Credit Facility") and a $250.0 million term loan facility (the "Term Loan Facility"). In February 2020, the Company entered into an agreement to extend the maturity date of the Revolving Credit Facility by one year to August 8, 2024. The maturity date of the Term Loan Facility remains August 8, 2022.

In connection with the extension agreement, the Company paid related issuance costs of $1.0 million.

As of October 3, 2020 and December 31, 2019, there were no borrowings outstanding under the Revolving Credit Facility. As of October 3, 2020 and December 31, 2019, there were $225.0 million and $234.4 million, respectively, of borrowings outstanding under the Term Loan Facility.

In March 2020, as a proactive measure in response to the COVID-19 pandemic, the Company borrowed $1.0 billion under the Revolving Credit Facility, which was repaid in full in September 2020.

In the first nine months of 2020, the Company made required principal payments of $9.4 million under the Term Loan Facility.

Advances under the Revolving Credit Facility and the Term Loan Facility generally bear interest based on (i) the Eurocurrency Rate (as defined in the Credit Agreement) or (ii) the Base Rate (as defined in the Credit Agreement) plus a margin, determined in accordance with a pricing grid. The range and the rate as of October 3, 2020, are shown below (in percentages):

	Eurocurrency Rate			Base Rate		
	Minimum	Maximum	Rate as of October 3, 2020	Minimum	Maximum	Rate as of October 3, 2020
Revolving Credit Facility	1.00%	1.60%	1.10%	0.00%	0.60%	0.10%
Term Loan Facility	1.125%	1.90%	1.25%	0.125%	0.90%	0.25%

A facility fee, which ranges from 0.125% to 0.30% of the total amount committed under the Revolving Credit Facility, is payable quarterly.

Covenants

The Credit Agreement contains various customary representations, warranties and covenants by the Company, including, without limitation, (i) covenants regarding maximum leverage, (ii) limitations on fundamental changes involving the Company or its subsidiaries and (iii) limitations on indebtedness and liens.

As of October 3, 2020, the Company was in compliance with all covenants under the Credit Agreement.

Other

As of October 3, 2020, other long-term debt consists of amounts outstanding under a finance lease.

For further information related to the Company's debt, see Note 6, "Debt," to the consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019.

(9) Leases

Right-of-Use Assets and Lease Obligations

The Company has operating leases for production, office and warehouse facilities, manufacturing and office equipment and vehicles.

Operating lease assets and obligations included in the accompanying condensed consolidated balance sheet are shown below (in millions):

	October 3, 2020	December 31, 2019
Right-of-use assets under operating leases:		
Other long-term assets	$ 539.4	$ 527.0
Lease obligations under operating leases:		
Accrued liabilities	$ 113.2	$ 113.9
Other long-term liabilities	439.0	422.4
	$ 552.2	$ 536.3

Maturities of lease obligations as of October 3, 2020, are shown below (in millions):

	October 3, 2020
2020 (1)	$ 35.9
2021	129.6
2022	103.7
2023	81.6
2024	67.3
Thereafter	220.8
Total undiscounted cash flows	638.9
Less: Imputed interest	(86.7)
Lease obligations under operating leases	$ 552.2

(1) For the remaining three months

The Company entered into one lease agreement which is expected to commence in the third quarter of 2021 with a lease term of approximately ten years. The aggregate right-of-use asset and related lease obligation are expected to be approximately $50 million.

Cash flow information related to operating leases is shown below (in millions):

	Nine Months Ended	
	October 3, 2020	September 28, 2019
Non-cash activity:		
Right of use assets obtained in exchange for operating lease obligations	$ 116.2	$ 177.1
Operating cash flows:		
Cash paid related to operating lease obligations	$ 106.3	$ 104.0

Lease expense included in the accompanying condensed consolidated statements of comprehensive income (loss) is shown below (in millions):

	Three Months Ended		Nine Months Ended	
	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Operating lease expense	$ 38.6	$ 36.9	$ 110.2	$ 104.4
Short-term lease expense	3.3	3.1	11.3	12.1
Variable lease expense	2.2	1.4	5.9	3.2
Total lease expense	$ 44.1	$ 41.4	$ 127.4	$ 119.7

In the nine months ended October 3, 2020, the Company recognized an impairment charge of $2.0 million related to its right-of-use assets in conjunction with its restructuring actions (Note 3, "Restructuring").

The weighted average lease term and discount rate for operating leases are shown below:

	October 3, 2020
Weighted average remaining lease term (in years)	6.9
Weighted average discount rate	3.4%

The Company entered into a finance lease agreement which is not material to the consolidated financial statements (Note 8 "Debt").

For further information related to the Company's leases, see Note 7, "Leases," to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

(10) Pension and Other Postretirement Benefit Plans

The Company sponsors defined benefit pension plans and other postretirement benefit plans (primarily for the continuation of medical benefits) for eligible employees in the United States and certain other countries.

Net Periodic Pension and Other Postretirement Benefit (Credit) Cost

The components of the Company's net periodic pension benefit (credit) cost are shown below (in millions):

	Three Months Ended				Nine Months Ended			
	October 3, 2020		September 28, 2019		October 3, 2020		September 28, 2019	
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
Service cost	$ 0.1	$ 1.2	$ -	$ 1.5	$ 0.1	$ 3.6	$ -	$ 4.7
Interest cost	4.1	3.1	4.6	3.7	12.3	9.2	13.9	11.0
Expected return on plan assets	(5.4)	(4.9)	(5.0)	(5.2)	(16.0)	(14.8)	(15.1)	(15.6)
Amortization of actuarial loss	0.6	1.2	0.5	1.9	1.7	3.5	1.4	5.8
Settlement loss	-	10.2	-	-	0.3	10.2	0.1	-
Net periodic benefit (credit) cost	$ (0.6)	$ 10.8	$ 0.1	$ 1.9	$ (1.6)	$ 11.7	$ 0.3	$ 5.9

The components of the Company's net periodic other postretirement benefit (credit) cost are shown below (in millions):

	Three Months Ended				Nine Months Ended			
	October 3, 2020		September 28, 2019		October 3, 2020		September 28, 2019	
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
Service cost	$ -	$ -	$ -	$ 0.1	$ -	$ -	$ -	$ 0.2
Interest cost	0.5	0.2	0.5	0.3	1.3	0.6	1.6	1.0
Amortization of actuarial gain	(0.4)	-	(0.6)	-	(1.2)	-	(1.7)	-
Amortization of prior service credit	-	-	-	-	(0.1)	-	(0.1)	(0.1)
Net periodic benefit (credit) cost	$ 0.1	$ 0.2	$ (0.1)	$ 0.4	$ 0.0	$ 0.6	$ (0.2)	$ 1.1

In the three and nine months ended October 3, 2020, the Company recognized a pension benefit plan settlement loss of $10.2 million related to its restructuring actions (Note 3, "Restructuring").

Contributions

In the nine months ended October 3, 2020, employer contributions to the Company's domestic and foreign defined benefit pension plans were $10.7 million.

At this time, the Company has elected to defer its contributions to its U.S. defined benefit pension plans to the extent possible under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The Company expects contributions to its domestic and foreign defined benefit pension plans to be $10 million to $20 million in 2020.

(11) Revenue Recognition

The Company enters into contracts with its customers to provide production parts generally at the beginning of a vehicle's life cycle. Typically, these contracts do not provide for a specified quantity of products, but once entered into, the Company is often expected to fulfill its customers' purchasing requirements for the production life of the vehicle. Many of these contracts may be terminated by the Company's customers at any time. Historically, terminations of these contracts have been minimal. The Company receives purchase orders from its customers, which provide the commercial terms for a particular production part, including price (but not quantities). Contracts may also provide for annual price reductions over the production life of the vehicle, and prices may be adjusted on an ongoing basis to reflect changes in product content/cost and other commercial factors.

Revenue is recognized at a point in time when control of the product is transferred to the customer under standard commercial terms, as the Company does not have an enforceable right to payment prior to such transfer. The amount of revenue recognized reflects the consideration that the Company expects to be entitled to in exchange for those products based on the annual purchase orders, annual price reductions and ongoing price adjustments. In the first nine months of 2020, revenue recognized related to prior years represented approximately 1% of consolidated net sales. The Company's customers pay for products received in accordance with payment terms that are customary within the industry. The Company's contracts with its customers do not have significant financing components.

The Company records a contract liability for advances received from its customers. As of October 3, 2020 and December 31, 2019, there were no significant contract liabilities recorded. Further, there were no significant contract liabilities recognized in revenue during the first nine months of 2020.

Amounts billed to customers related to shipping and handling costs are included in net sales in the condensed consolidated statements of comprehensive income (loss). Shipping and handling costs are accounted for as fulfillment costs and are included in cost of sales in the condensed consolidated statements of comprehensive income (loss).

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction that are collected by the Company from a customer are excluded from revenue.

A summary of the Company's revenue by reportable operating segment and geography is shown below (in millions):

	Three Months Ended					
	October 3, 2020			September 28, 2019		
	Seating	E-Systems	Total	Seating	E-Systems	Total
North America	$ 1,706.2	$ 333.5	$ 2,039.7	$ 1,626.5	$ 250.5	$ 1,877.0
Europe and Africa	1,214.0	491.1	1,705.1	1,291.2	495.7	1,786.9
Asia	661.1	343.3	1,004.4	667.6	312.7	980.3
South America	110.3	40.6	150.9	129.7	51.1	180.8
	$ 3,691.6	$ 1,208.5	$ 4,900.1	$ 3,715.0	$ 1,110.0	$ 4,825.0

	Nine Months Ended					
	October 3, 2020			September 28, 2019		
	Seating	E-Systems	Total	Seating	E-Systems	Total
North America	$ 3,894.7	$ 766.1	$ 4,660.8	$ 4,815.5	$ 810.0	$ 5,625.5
Europe and Africa	3,000.1	1,281.2	4,281.3	4,307.0	1,650.7	5,957.7
Asia	1,676.4	845.2	2,521.6	1,978.2	923.6	2,901.8
South America	241.9	96.7	338.6	367.4	140.3	507.7
	$ 8,813.1	$ 2,989.2	$ 11,802.3	$ 11,468.1	$ 3,524.6	$ 14,992.7

(12) Other Expense, Net

Other expense, net includes non-income related taxes, foreign exchange gains and losses, gains and losses related to certain derivative instruments and hedging activities, losses on the extinguishment of debt, gains and losses on the disposal of fixed assets, gains and losses on the consolidation and deconsolidation of affiliates, the non-service cost components of net periodic benefit cost and other miscellaneous income and expense.

A summary of other expense, net is shown below (in millions):

	Three Months Ended		Nine Months Ended	
	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Other expense	$ 20.3	$ 13.7	$ 61.2	$ 41.7
Other income	(3.2)	(4.0)	(6.8)	(13.8)
Other expense, net	$ 17.1	$ 9.7	$ 54.4	$ 27.9

In the three months and nine months ended October 3, 2020, other expense includes net foreign currency transaction losses of $5.5 million and $22.2 million, respectively, and a pension settlement loss of $10.2 million (Note 10, "Pension and Other Postretirement Benefit Plans"). In the nine months ended October 3, 2020, other expense also includes a loss of $21.1 million on the extinguishment of debt (Note 8, "Debt").

In the three and nine months ended September 28, 2019, other expense includes net foreign currency transaction losses of $9.3 million and $16.5 million, respectively, and other income includes a gain of $4.0 million related to the deconsolidation of an affiliate (Note 6, "Long-Term Assets"). In the nine months ended September 28, 2019, other expense also includes a loss of $10.6 million on the extinguishment of debt.

(13) Income Taxes

For the nine months ended October 3, 2020, the Company estimated its annual effective tax rate utilizing the annualized effective tax rate method under Accounting Standards Codification ("ASC") 740, "Income Taxes," to calculate its interim income tax provision. In the first and second quarters of 2020, the Company utilized the discrete effective tax rate method, as allowed under ASC 740, to calculate its interim income tax provision because it was not possible to reliably estimate the annual effective tax rate for the year due to uncertainty created by the COVID-19 pandemic.

A summary of the provision for income taxes and the corresponding effective tax rate for the three and nine months ended October 3, 2020 and September 28, 2019, is shown below (in millions, except effective tax rates):

	Three Months Ended		Nine Months Ended	
	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Provision for income taxes	$ 44.6	$ 33.5	$ 30.1	$ 149.9
Pretax income before equity in net income of affiliates	$ 235.2	$ 267.0	$ 25.4	$ 820.8
Effective tax rate	19.0%	12.5%	118.5%	18.3%

The Company’s provision for income taxes is impacted by the level and mix of earnings among tax jurisdictions. In the first nine months of 2020, pretax income before equity in net income of affiliates was significantly lower than in the first nine months of 2019, primarily due to the COVID-19 pandemic, and as a result, relatively small changes in the provision for income taxes in 2020 can cause disproportionate changes in the effective tax rate as compared to 2019. The higher effective tax rate in the first nine months of 2020, as compared to the first nine months of 2019, was also due to the net discrete tax expense and lower tax benefit on the Company’s restructuring charges and various other items in 2020.

The Company’s discrete tax benefit (expense) on significant items is shown below (in millions):

	Nine Months Ended	
	October 3, 2020	September 28, 2019
Restructuring charges and various other items	$ 20.7	$ 35.7
Valuation allowances on deferred tax assets	(12.2)	(10.4)
Share-based compensation	-	3.1
Change in tax status of certain affiliates	-	18.4
Research and development tax credits	5.0	28.6
	$ 13.5	$ 75.4

The Company’s current and future provision for income taxes is impacted by the initial recognition of and changes in valuation allowances in certain countries. The Company intends to maintain these allowances until it is more likely than not that the deferred tax assets will be realized. The Company’s future provision for income taxes will include no tax benefit with respect to losses incurred and, except for certain jurisdictions, no tax expense with respect to income generated in these countries until the respective valuation allowances are eliminated. Accordingly, income taxes are impacted by changes in valuation allowances and the mix of earnings among jurisdictions. The Company evaluates the realizability of its deferred tax assets on a quarterly basis. In completing this evaluation, the Company considers all available evidence in order to determine whether, based on the weight of the evidence, a valuation allowance for its deferred tax assets is necessary. Such evidence includes historical results, future reversals of existing taxable temporary differences and expectations for future taxable income (exclusive of the reversal of temporary differences and carryforwards), as well as the implementation of feasible and prudent tax planning strategies. If, based on the weight of the evidence, it is more likely than not that all or a portion of the Company's deferred tax assets will not be realized, a valuation allowance is recorded. If operating results improve or decline on a continual basis in a particular jurisdiction, the Company's decision regarding the need for a valuation allowance could change, resulting in either the initial recognition or reversal of a valuation allowance in that jurisdiction, which could have a significant impact on income tax expense in the period recognized and subsequent periods. In determining the provision for income taxes for financial statement purposes, the Company makes certain estimates and judgments, which affect its evaluation of the carrying value of its deferred tax assets, as well as its calculation of certain tax liabilities.

For further information related to the Company's income taxes, see Note 8, "Income Taxes," to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

(14) Net Income (Loss) Per Share Attributable to Lear

Basic net income (loss) per share available to Lear common stockholders is computed using the two-class method by dividing net income (loss) attributable to Lear, after deducting the redemption adjustment related to the redeemable noncontrolling interest, by the average number of common shares outstanding during the period. Common shares issuable upon the satisfaction of certain conditions pursuant to a contractual agreement are considered common shares outstanding and are included in the computation of basic net income (loss) per share available to Lear common stockholders.

Diluted net income per share available to Lear common stockholders is computed using the two-class method by dividing net income attributable to Lear, after deducting the redemption adjustment related to the redeemable noncontrolling interest, by the average number of common shares outstanding, including the dilutive effect of common stock equivalents computed using the treasury stock method and the average share price during the period. The computation of diluted net loss per share available to Lear common stockholders excludes the effect of common stock equivalents as such effect would be anti-dilutive.

A summary of information used to compute basic and diluted net income (loss) per share available to Lear common stockholders is shown below (in millions, except share and per share data):

	Three Months Ended		Nine Months Ended	
	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Net income (loss) attributable to Lear	$ 174.4	$ 215.9	$ (43.1)	$ 627.6
Redeemable noncontrolling interest adjustment	-	3.6	-	9.4
Net income (loss) available to Lear common stockholders	$ 174.4	$ 219.5	$ (43.1)	$ 637.0
Average common shares outstanding	60,159,356	61,133,723	60,260,886	62,042,156
Dilutive effect of common stock equivalents	171,585	196,363	-	220,747
Average diluted shares outstanding	60,330,941	61,330,086	60,260,886	62,262,903
Basic net income (loss) per share available to Lear common stockholders	$ 2.90	$ 3.59	$ (0.72)	$ 10.27
Diluted net income (loss) per share available to Lear common stockholders	$ 2.89	$ 3.58	$ (0.72)	$ 10.23

For further information related to the redeemable noncontrolling interest adjustment, see Note 15, "Comprehensive Income (Loss) and Equity."

(15) Comprehensive Income (Loss) and Equity

Comprehensive Income (Loss)

Comprehensive income (loss) is defined as all changes in the Company's net assets except changes resulting from transactions with stockholders. It differs from net income (loss) in that certain items recorded in equity are included in comprehensive income (loss).

LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Accumulated Other Comprehensive Loss

A summary of changes, net of tax, in accumulated other comprehensive loss for the three and nine months ended October 3, 2020, is shown below (in millions):

	Three Months Ended October 3, 2020	Nine Months Ended October 3, 2020
Defined benefit plans:		
Balance at beginning of period	$ (211.7)	$ (217.6)
Reclassification adjustments (net of tax expense of $0.6 million and $1.3 million in the three and nine months ended October 3, 2020, respectively)	11.0	13.1
Other comprehensive loss recognized during the period (net of tax benefit of $5.4 million in the three and nine months ended October 3, 2020)	(29.7)	(25.9)
Balance at end of period	$ (230.4)	$ (230.4)
Derivative instruments and hedging:		
Balance at beginning of period	$ (50.4)	$ 9.8
Reclassification adjustments (net of tax expense of $0.1 million and $1.8 million in the three and nine months ended October 3, 2020, respectively)	3.9	9.2
Other comprehensive income (loss) recognized during the period (net of tax benefit (expense) of ($6.3) million and $9.6 million in the three and nine months ended October 3, 2020, respectively)	14.8	(50.7)
Balance at end of period	$ (31.7)	$ (31.7)
Foreign currency translation:		
Balance at beginning of period	$ (660.9)	$ (564.9)
Other comprehensive income (loss) recognized during the period (net of tax benefit of $2.9 million and $0.7 million in the three and nine months ended October 3, 2020, respectively)	83.3	(12.7)
Balance at end of period	$ (577.6)	$ (577.6)
Total accumulated other comprehensive loss	$ (839.7)	$ (839.7)

In the three months ended October 3, 2020, foreign currency translation adjustments are primarily related to the strengthening of the Euro and the Chinese renminbi, partially offset by the weakening of the Brazilian real, relative to the U.S. dollar. In the nine months ended October 3, 2020, foreign currency translation adjustments are primarily related to the weakening of the Brazilian real, largely offset by the strengthening of the Euro and the Chinese renminbi, relative to the U.S. dollar.

In the three and nine months ended October 3, 2020, foreign currency translation adjustments include pretax (gains) losses of ($0.5) million and $0.5 million, respectively, related to intercompany transactions for which settlement is not planned or anticipated in the foreseeable future.

LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

A summary of changes, net of tax, in accumulated other comprehensive loss for the three and nine months ended September 28, 2019, is shown below (in millions):

	Three Months Ended September 28, 2019	Nine Months Ended September 28, 2019
Defined benefit plans:		
Balance at beginning of period	$ (173.9)	$ (172.8)
Reclassification adjustments (net of tax expense of $0.4 million and $0.8 million in the three and nine months ended September 28, 2019, respectively)	1.5	4.7
Other comprehensive loss recognized during the period (net of tax benefit of $1.6 million in the three and nine months ended September 28, 2019)	(4.6)	(8.9)
Balance at end of period	$ (177.0)	$ (177.0)
Derivative instruments and hedging:		
Balance at beginning of period	$ (1.2)	$ (9.7)
Reclassification adjustments (net of tax benefit of $2.4 million and $7.2 million in the three and nine months ended September 28, 2019, respectively)	(8.4)	(25.5)
Other comprehensive income (loss) recognized during the period (net of tax benefit (expense) of $1.1 million and ($6.2) million in the three and nine months ended September 28, 2019, respectively)	(3.9)	21.7
Balance at end of period	$ (13.5)	$ (13.5)
Foreign currency translation:		
Balance at beginning of period	$ (523.1)	$ (523.3)
Other comprehensive loss recognized during the period (net of tax impact of $— million in the three and nine months ended September 28, 2019)	(115.7)	(115.5)
Balance at end of period	$ (638.8)	$ (638.8)
Total accumulated other comprehensive loss	$ (829.3)	$ (829.3)

In the three and nine months ended September 28, 2019, foreign currency translation adjustments are primarily related to the weakening of the Euro and the Chinese renminbi relative to the U.S. dollar and include pretax losses of $0.3 million and $0.2 million, respectively, related to intercompany transactions for which settlement is not planned or anticipated in the foreseeable future.

For further information regarding reclassification adjustments related to the Company's defined benefit plans, see Note 10, "Pension and Other Postretirement Benefit Plans." For further information regarding reclassification adjustments related to the Company's derivative and hedging activities, see Note 18, "Financial Instruments."

Lear Corporation Stockholders' Equity

Common Stock Share Repurchase Program

In March 2020, as a proactive measure in response to the COVID-19 pandemic, the Company suspended share repurchases under its share repurchase program. Share repurchases prior to the suspension are shown below (in millions except for shares and per share amounts):

Nine Months Ended October 3, 2020				As of October 3, 2020
Aggregate Repurchases	Cash paid for Repurchases	Number of Shares	Average Price per Share(1)	Remaining Purchase Authorization
$ 70.0	$ 70.0	641,149	$ 109.22	$ 1,430.0

(1) Excludes commissions

Since the first quarter of 2011, the Company's Board of Directors has authorized $6.1 billion in share repurchases under the common stock share repurchase program. As of the end of the third quarter of 2020, the Company has repurchased, in aggregate, $4.7 billion of its outstanding common stock, at an average price of $90.07 per share, excluding commissions and related fees.

The Company may implement share repurchases through a variety of methods, including, but not limited to, open market purchases, accelerated stock repurchase programs and structured repurchase transactions. The extent to which the Company will repurchase its outstanding common stock and the timing of such repurchases will depend upon its financial condition, prevailing market conditions, alternative uses of capital and other factors.

In addition to shares repurchased under the Company’s common stock share repurchase program described above, the Company classified shares withheld from the settlement of the Company’s restricted stock unit and performance share awards to cover tax withholding requirements as common stock held in treasury in the accompanying condensed consolidated balance sheets as of October 3, 2020 and December 31, 2019.

Quarterly Dividend

In March 2020, as a proactive measure in response to the COVID-19 pandemic, the Company suspended its quarterly cash dividend. Prior to the suspension, the Company’s Board of Directors declared a cash dividend of $0.77 per share of common stock in the first quarter of 2020 and quarterly cash dividends of $0.75 per share of common stock in the first nine months of 2019. Dividends declared and paid are shown below (in millions):

	Nine Months Ended	
	October 3, 2020	September 28, 2019
Dividends declared	$ 46.8	$ 140.3
Dividends paid	52.0	141.1

Dividends payable on common shares to be distributed under the Company’s stock-based compensation program will be paid when such common shares are distributed.

Redeemable Noncontrolling Interest

In accordance with GAAP, the Company records redeemable noncontrolling interests at the greater of (1) the initial carrying amount adjusted for the noncontrolling interest holder’s share of total comprehensive income or loss and dividends ("noncontrolling interest carrying value") or (2) the redemption value as of and based on conditions existing as of the reporting date. Required redeemable noncontrolling interest adjustments are recorded as an increase to redeemable noncontrolling interests, with an offsetting adjustment to retained earnings. The redeemable noncontrolling interest is classified in mezzanine equity in the accompanying condensed consolidated balance sheets as of October 3, 2020 and December 31, 2019.

In the second quarter of 2020, the noncontrolling interest holder in Shanghai Lear STEC Automotive Parts Co., Ltd. exercised its option requiring the Company to purchase its 45% redeemable noncontrolling interest for RMB 626.0 million ($92.2 million at October 3, 2020) plus undistributed retained earnings of RMB 175.5 million ($25.8 million at October 3, 2020). The transaction is subject to regulatory approval and is expected to close in the fourth quarter of 2020. Approximately 50% of the purchase price and undistributed retained earnings is expected to be paid at closing, with remaining amounts paid in 2021.

For further information related to the redeemable noncontrolling interest adjustment, see Note 14, "Net Income (Loss) Per Share Attributable to Lear," herein, as well as Note 5, "Investments in Affiliates and Other Related Party Transactions," to the consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019.

(16) Legal and Other Contingencies

As of October 3, 2020 and December 31, 2019, the Company had recorded reserves for pending legal disputes, including commercial disputes and other matters, of $16.3 million and $14.0 million, respectively. Such reserves reflect amounts recognized in accordance with GAAP and typically exclude the cost of legal representation. Product liability and warranty reserves are recorded separately from legal reserves, as described below.

Commercial Disputes

The Company is involved from time to time in legal proceedings and claims, including, without limitation, commercial or contractual disputes with its customers, suppliers and competitors. These disputes vary in nature and are usually resolved by negotiations between the parties.

Product Liability and Warranty Matters

In the event that use of the Company’s products results in, or is alleged to result in, bodily injury and/or property damage or other losses, the Company may be subject to product liability lawsuits and other claims. Such lawsuits generally seek compensatory damages, punitive damages and attorneys’ fees and costs. In addition, if any of the Company’s products are, or are alleged to be, defective, the Company may be required or requested by its customers to participate in a recall or other corrective action involving such products. Certain of the Company’s customers have asserted claims against the Company for costs related to recalls or other corrective actions involving its products. The Company can provide no assurances that it will not experience material claims in the future or that it will not incur significant costs to defend such claims.

To a lesser extent, the Company is a party to agreements with certain of its customers, whereby these customers may pursue claims against the Company for contribution of all or a portion of the amounts sought in connection with product liability and warranty claims.

In certain instances, allegedly defective products may be supplied by Tier 2 suppliers. The Company may seek recovery from its suppliers of materials or services included within the Company's products that are associated with product liability and warranty claims. The Company carries insurance for certain legal matters, including product liability claims, but such coverage may be limited. The Company does not maintain insurance for product warranty or recall matters.

The Company records product warranty reserves when liability is probable and related amounts are reasonably estimable.

A summary of the changes in reserves for product liability and warranty claims for the nine months ended October 3, 2020, is shown below (in millions):

Balance at January 1, 2020	$	32.0
Expense, net (including changes in estimates)		20.1
Settlements		(7.0)
Foreign currency translation and other		(0.4)
Balance at October 3, 2020	$	44.7

Environmental Matters

The Company is subject to local, state, federal and foreign laws, regulations and ordinances which govern activities or operations that may have adverse environmental effects and which impose liability for clean-up costs resulting from past spills, disposals or other releases of hazardous wastes and environmental compliance. The Company's policy is to comply with all applicable environmental laws and to maintain an environmental management program based on ISO 14001 to ensure compliance with this standard. However, the Company currently is, has been and in the future may become the subject of formal or informal enforcement actions or procedures.

As of October 3, 2020 and December 31, 2019, the Company had recorded environmental reserves of $8.8 million and $9.3 million, respectively. The Company does not believe that the environmental liabilities associated with its current and former properties will have a material adverse impact on its business, financial condition, results of operations or cash flows; however, no assurances can be given in this regard.

Other Matters

The Company is involved from time to time in various other legal proceedings and claims, including, without limitation, intellectual property matters, tax claims and employment matters. Although the outcome of any legal matter cannot be predicted with certainty, the Company does not believe that any of the other legal proceedings or claims in which the Company is currently involved, either individually or in the aggregate, will have a material adverse impact on its business, financial condition, results of operations or cash flows. However, no assurances can be given in this regard.

Although the Company records reserves for legal disputes, product liability and warranty claims and environmental and other matters in accordance with GAAP, the ultimate outcomes of these matters are inherently uncertain. Actual results may differ significantly from current estimates.

(17) Segment Reporting

The Company has two reportable operating segments: Seating, which includes complete seat systems and all major seat components, including seat covers and surface materials such as leather and fabric, seat structures and mechanisms, seat foam and headrests, and E-Systems, which includes complete electrical distribution systems, as well as sophisticated electronic control modules, electrification products and connectivity products. Key components in the Company's electrical distribution portfolio include wire harnesses, terminals and connectors and junction boxes for both internal combustion engine and electrification architectures that require management of higher voltage and power. Key components in the Company's electronic control module portfolio include body control modules, wireless receiver and transmitter technology and lighting and audio control modules, as well as products specific to electrification and connectivity trends. Electrification products include charging systems (onboard charging modules and cord set charging equipment), battery electronics (battery disconnect units, cell monitoring supervisory systems and integrated total battery control modules) and other power management modules, including converter and inverter systems. Connectivity products include gateway modules and communication modules to manage both wired and wireless networks and data in vehicles. The other category includes unallocated costs related to corporate headquarters, regional headquarters and the elimination of intercompany activities, none of which meets the requirements for being classified as an operating segment. Corporate and regional headquarters costs include various support functions, such as information technology, advanced research and development, corporate finance, legal, executive administration and human resources, as well as advanced engineering expenses.

Each of the Company's operating segments reports its results from operations and makes its requests for capital expenditures directly to the chief operating decision maker. The economic performance of each operating segment is driven primarily by automotive production volumes in the geographic regions in which it operates, as well as by the success of the vehicle platforms for which it supplies products. Also, each operating segment operates in the competitive Tier 1 automotive supplier environment and is continually working with its customers to manage costs and improve quality. The Company's production processes generally make use of hourly labor, dedicated facilities, sequential manufacturing and assembly processes and commodity raw materials.

The Company evaluates the performance of its operating segments based primarily on (i) revenues from external customers, (ii) pretax income (loss) before equity in net income of affiliates, interest expense and other (income) expense ("segment earnings") and (iii) cash flows, being defined as segment earnings less capital expenditures plus depreciation and amortization.

A summary of revenues from external customers and other financial information by reportable operating segment is shown below (in millions):

	Three Months Ended October 3, 2020			
	Seating	E-Systems	Other	Consolidated
Revenues from external customers	$ 3,691.6	$ 1,208.5	$ -	$ 4,900.1
Segment earnings(1)	250.7	86.0	(57.9)	278.8
Depreciation and amortization	87.8	44.8	3.7	136.3
Capital expenditures	48.8	40.2	1.1	90.1
Total assets	7,574.2	3,232.4	2,088.1	12,894.7

	Three Months Ended September 28, 2019			
	Seating	E-Systems	Other	Consolidated
Revenues from external customers	$ 3,715.0	$ 1,110.0	$ -	$ 4,825.0
Segment earnings(1)	281.5	74.3	(55.1)	300.7
Depreciation and amortization	82.1	42.5	3.9	128.5
Capital expenditures	86.0	59.8	5.0	150.8
Total assets	7,575.3	3,078.8	2,099.2	12,753.3

	Nine Months Ended October 3, 2020			
	Seating	E-Systems	Other	Consolidated
Revenues from external customers	$ 8,813.1	$ 2,989.2	$ -	$ 11,802.3
Segment earnings(1)	320.4	5.0	(167.5)	157.9
Depreciation and amortization	255.1	130.5	11.5	397.1
Capital expenditures	162.0	119.0	4.3	285.3

	Nine Months Ended September 28, 2019			
	Seating	E-Systems	Other	Consolidated
Revenues from external customers	$ 11,468.1	$ 3,524.6	$ -	$ 14,992.7
Segment earnings(1)	817.0	287.3	(186.2)	918.1
Depreciation and amortization	248.4	120.2	11.8	380.4
Capital expenditures	246.2	151.4	12.5	410.1

(1) See definition above

For the three months ended October 3, 2020, segment earnings include restructuring charges of $33.6 million, $5.0 million and $0.3 million in the Seating and E-Systems segments and in the other category, respectively. For the nine months ended October 3, 2020, segment earnings include restructuring charges of $59.3 million, $46.2 million and $0.9 million in the Seating and E-Systems segments and in the other category, respectively. The Company expects to incur approximately $23 million and $7 million of additional restructuring costs in the Seating and E-Systems segments, respectively, related to activities initiated as of October 3, 2020, and expects that the components of such costs will be consistent with its historical experience.

For the three months ended September 28, 2019, segment earnings include restructuring charges of $18.2 million, $9.0 million and $0.7 million in the Seating and E-Systems segments and in the other category, respectively. For the nine months ended September 28, 2019, segment earnings include restructuring charges of $91.7 million, $26.2 million and $1.0 million in the Seating and E-Systems segments and in the other category, respectively.

For further information, see Note 3, "Restructuring."

A reconciliation of segment earnings to consolidated income before provision for income taxes and equity in net income of affiliates is shown below (in millions):

	Three Months Ended		Nine Months Ended	
	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Segment earnings	$ 278.8	$ 300.7	$ 157.9	$ 918.1
Interest expense	26.5	24.0	78.1	69.4
Other expense, net	17.1	9.7	54.4	27.9
Consolidated income before provision for income taxes and equity in net income of affiliates	$ 235.2	$ 267.0	$ 25.4	$ 820.8

(18) Financial Instruments

Debt Instruments

The carrying values of the Notes vary from their fair values. The fair values of the Notes were determined by reference to the quoted market prices of these securities (Level 2 input based on the GAAP fair value hierarchy). The carrying value of the Company’s Term Loan Facility approximates its fair value (Level 3 input based on the GAAP fair value hierarchy).

The estimated fair value, as well as the carrying value, of the Company's debt instruments are shown below (in millions):

	October 3, 2020	December 31, 2019
Estimated aggregate fair value (1)	$ 2,454.4	$ 2,384.6
Aggregate carrying value (1) (2)	2,325.0	2,334.4

(1) Includes Term Loan Facility and Notes (excludes "other" debt)
(2) Excludes the impact of unamortized debt issuance costs and unamortized original issue premium (discount)

Cash, Cash Equivalents and Restricted Cash

The Company has on deposit, cash that is legally restricted as to use or withdrawal.

A reconciliation of cash, cash equivalents and restricted cash reported on the accompanying condensed consolidated balance sheets to cash, cash equivalents and restricted cash reported on the accompanying condensed consolidated statements of cash flows is shown below (in millions):

	October 3, 2020	September 28, 2019
Balance sheet - cash and cash equivalents	$ 1,250.4	$ 1,300.9
Restricted cash included in other current assets	5.1	15.6
Restricted cash included in other long-term assets	2.7	6.8
Statement of cash flows - cash, cash equivalents and restricted cash	$ 1,258.2	$ 1,323.3

Accounts Receivable

On January 1, 2020, the Company adopted Accounting Standards Update ("ASU") 2016-13, "Financial Instruments — Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments," using a modified retrospective approach. The standard amends several aspects of the measurement of credit losses related to certain financial instruments, including the replacement of the existing incurred credit loss model and other models with the current expected credit losses ("CECL") model. The cumulative effect of adoption resulted in an increase of $0.8 million in the allowance for credit loss and a corresponding decrease in retained earnings as of January 1, 2020.

The Company's allowance for credit losses on financial assets measured at amortized cost, primarily accounts receivable, reflects management's estimate of credit losses over the remaining expected life of such assets, measured primarily using historical experience, as well as current conditions and forecasts that affect the collectability of the reported amount. Expected credit losses for newly recognized financial assets, as well as changes to expected credit losses during the period, are recognized in earnings. The Company also considers geographic and segment specific risk factors in the development of expected credit losses. As of October 3, 2020 and December 31, 2019, accounts receivable are reflected net of reserves of $34.4 million and $36.0 million, respectively. Changes in expected credit losses were not significant in the first nine months of 2020.

Accounts Receivable Factoring

During the second quarter of 2020, the Company entered into an uncommitted factoring arrangement which provides for aggregate purchases of specified customer accounts in North America. The factoring arrangement results in true sales of the factored receivables, which are excluded from amounts reported in the consolidated balance sheets when the receivables are factored in accordance with ASC 860, "Transfers and Servicing." There were no receivables factored during the second or third quarters of 2020. The Company cannot provide any assurances that the factoring arrangement will be available or utilized in the future.

Marketable Equity Securities

Marketable equity securities, which the Company accounts for under the fair value option, are included in the accompanying condensed consolidated balance sheets as shown below (in millions):

	October 3, 2020	December 31, 2019
Current assets	$ 8.9	$ 17.1
Other long-term assets	41.9	42.1
	$ 50.8	$ 59.2

Unrealized gains and losses arising from changes in the fair value of the marketable equity securities are recognized in the condensed consolidated statements of comprehensive income (loss) as a component of other expense, net. The fair value of the marketable equity securities is determined by reference to quoted market prices in active markets (Level 1 input based on the GAAP fair value hierarchy).

Equity Securities Without Readily Determinable Fair Values

As of October 3, 2020 and December 31, 2019, investments in equity securities without readily determinable fair values of $15.2 million are included in other long-term assets in the accompanying condensed consolidated balance sheets. Such investments are valued at cost, less any impairment, and adjusted for changes resulting from observable, orderly transactions for identical or similar securities.

Derivative Instruments and Hedging Activities

The Company has used derivative financial instruments, including forwards, futures, options, swaps and other derivative contracts to reduce the effects of fluctuations in foreign exchange rates and interest rates and the resulting variability of the Company's operating results. The Company is not a party to leveraged derivatives. The Company's derivative financial instruments are subject to master netting arrangements that provide for the net settlement of contracts, by counterparty, in the event of default or termination. On the date that a derivative contract for a hedging instrument is entered into, the Company designates the derivative as either (1) a hedge of the exposure to changes in the fair value of a recognized asset or liability or of an unrecognized firm commitment (a fair value hedge), (2) a hedge of the exposure of a forecasted transaction or of the variability in the cash flows of a recognized asset or liability (a cash flow hedge), (3) a hedge of a net investment in a foreign operation (a net investment hedge) or (4) a contract not designated as a hedging instrument.

For a fair value hedge, the change in the fair value of the derivative is recorded in earnings and reflected in the condensed consolidated statements of comprehensive income (loss) on the same line as the gain or loss on the hedged item attributable to the hedged risk. For a cash flow hedge, the change in the fair value of the derivative is recorded in accumulated other comprehensive loss in the condensed consolidated balance sheets. When the underlying hedged transaction is realized, the gain or loss included in accumulated other comprehensive loss is recorded in earnings and reflected in the condensed consolidated statements of comprehensive income (loss) on the same line as the gain or loss on the hedged item attributable to the hedged risk. For a net investment hedge, the change in the fair value of the derivative is recorded in cumulative translation adjustment, which is a component of accumulated other comprehensive loss in the condensed consolidated balance sheets. When the related currency translation adjustment is required to be reclassified, usually upon sale or liquidation of the investment, the gain or loss included in accumulated other comprehensive loss is recorded in earnings. Changes in the fair value of contracts not designated as hedging instruments are recorded in earnings and reflected in the condensed consolidated statements of comprehensive income (loss) as other expense, net. Cash flows attributable to derivatives used to manage foreign currency risks are classified on the same line as the hedged item attributable to the hedged risk in the condensed consolidated statements of cash flows. Upon settlement, cash flows attributable to derivatives designated as net investment hedges are classified as investing activities in the consolidated statements of cash flows. Cash flows attributable to forward starting interest rate swaps are classified as financing activities in the condensed consolidated statements of cash flows.

The Company formally documents its hedge relationships, including the identification of the hedge instruments and the related hedged items, as well as its risk management objectives and strategies for undertaking the hedge transaction. Derivatives are recorded at fair value in other current and long-term assets and other current and long-term liabilities in the consolidated balance sheet. The Company also formally assesses whether a derivative used in a hedge transaction is highly effective in offsetting changes in either the fair value or the cash flows of the hedged item. When it is determined that a hedged transaction is no longer probable to occur, the Company discontinues hedge accounting.

Foreign Exchange

The Company uses forwards, swaps and other derivative contracts to reduce the effects of fluctuations in foreign exchange rates on known foreign currency exposures. Gains and losses on the derivative instruments are intended to offset gains and losses on the hedged transaction in an effort to reduce exposure to fluctuations in foreign exchange rates. The principal currencies hedged by the Company include the Mexican peso, various European currencies, the Thai baht, the Philippine peso, the Japanese yen and the Chinese renminbi.

Foreign currency derivative contracts not designated as hedging instruments consist principally of hedges of cash transactions, intercompany loans and certain other balance sheet exposures.

Net Investment Hedges

The Company uses cross-currency interest rate swaps, which are designated as net investment hedges of the foreign currency rate exposure of its investment in certain Euro-denominated subsidiaries. In the first nine months of 2020, interest expense in the accompanying consolidated statement of comprehensive income (loss) was offset by $4.9 million related to contra interest expense on these net investment hedges.

Balance Sheet Classification

The notional amount, estimated aggregate fair value and related balance sheet classification of the Company's foreign currency derivative contracts and net investment hedges are shown below (in millions, except for maturities):

	October 3, 2020	December 31, 2019
Fair value of foreign currency contracts designated as cash flow hedges:		
Other current assets	$ 15.0	$ 44.0
Other long-term assets	5.8	7.3
Other current liabilities	(21.6)	(4.5)
Other long-term liabilities	(3.7)	(0.2)
	(4.5)	46.6
Notional amount	$ 1,225.4	$ 1,465.8
Outstanding maturities in months, not to exceed	24	24
Fair value of derivatives designated as net investment hedges:		
Other long-term liabilities	$ (7.9)	$ (4.4)
Notional amount	$ 300.0	$ 300.0
Outstanding maturities in months, not to exceed	48	57
Fair value of foreign currency contracts not designated as hedging instruments:		
Other current assets	$ 7.2	$ 6.9
Other current liabilities	(5.9)	(3.2)
	1.3	3.7
Notional amount	$ 1,728.6	$ 697.0
Outstanding maturities in months, not to exceed	15	12
Total fair value	$ (11.1)	$ 45.9
Total notional amount	$ 3,254.0	$ 2,462.8

LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Accumulated Other Comprehensive Loss — Derivative Instruments and Hedging

Pretax amounts related to foreign currency, net investment hedge and interest rate swap contracts that were recognized in and reclassified from accumulated other comprehensive loss are shown below (in millions):

	Three Months Ended		Nine Months Ended	
	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Gains (losses) recognized in accumulated other comprehensive loss:				
Foreign currency contracts	$ 21.1	$ (5.0)	$ (60.3)	$ 37.4
Net investment hedge contracts	(13.9)	1.7	(3.5)	1.7
Interest rate swap contracts	-	-	-	(9.5)
	7.2	(3.3)	(63.8)	29.6
(Gains) losses reclassified from accumulated other comprehensive loss to:				
Net sales	(0.2)	1.3	(0.7)	2.3
Cost of sales	3.5	(12.6)	10.0	(35.5)
Interest expense	0.6	0.6	1.8	0.9
Other expense, net	0.1	-	(0.1)	-
	4.0	(10.7)	11.0	(32.3)
Comprehensive income (loss)	$ 11.2	$ (14.0)	$ (52.8)	$ (2.7)

As of October 3, 2020 and December 31, 2019, pretax net gains (losses) of ($33.4) million and $19.4 million, respectively, related to the Company's derivative instruments and hedging activities were recorded in accumulated other comprehensive loss.

During the next twelve month period, net losses expected to be reclassified into earnings are shown below (in millions):

Net losses related to:	
Foreign currency contracts	$ 6.6
Interest rate swap contracts	2.4
Total	$ 9.0

Such losses will be reclassified at the time that the underlying hedged transactions are realized.

Fair Value Measurements

GAAP provides that fair value is an exit price, defined as a market-based measurement that represents the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value measurements are based on one or more of the following three valuation techniques:

Market: This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Income: This approach uses valuation techniques to convert future amounts to a single present value amount based on current market expectations.

Cost: This approach is based on the amount that would be required to replace the service capacity of an asset (replacement cost).

Further, GAAP prioritizes the inputs and assumptions used in the valuation techniques described above into a three-tier fair value hierarchy as follows:

Level 1: Observable inputs, such as quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: Inputs, other than quoted market prices included in Level 1, that are observable either directly or indirectly for the asset or liability.

Level 3: Unobservable inputs that reflect the entity's own assumptions about the exit price of the asset or liability. Unobservable inputs may be used if there is little or no market data for the asset or liability at the measurement date.

The Company discloses fair value measurements and the related valuation techniques and fair value hierarchy level for its assets and liabilities that are measured or disclosed at fair value.

Items Measured at Fair Value on a Recurring Basis

Fair value measurements and the related valuation techniques and fair value hierarchy level for the Company’s assets and liabilities measured at fair value on a recurring basis as of October 3, 2020 and December 31, 2019, are shown below (in millions):

	October 3, 2020					
	Frequency	Asset (Liability)	Valuation Technique	Level 1	Level 2	Level 3
Foreign currency contracts, net	Recurring	$ (3.2)	Market/ Income	$ -	$ (3.2)	$ -
Net investment hedges	Recurring	$ (7.9)	Market/ Income	$ -	$ (7.9)	$ -
Marketable equity securities	Recurring	$ 50.8	Market	$ 50.8	$ -	$ -

	December 31, 2019					
	Frequency	Asset (Liability)	Valuation Technique	Level 1	Level 2	Level 3
Foreign currency contracts, net	Recurring	$ 50.3	Market/ Income	$ -	$ 50.3	$ -
Net investment hedges	Recurring	$ (4.4)	Market/ Income	$ -	$ (4.4)	$ -
Marketable equity securities	Recurring	$ 59.2	Market	$ 59.2	$ -	$ -

The Company determines the fair value of its derivative contracts using quoted market prices to calculate the forward values and then discounts such forward values to the present value. The discount rates used are based on quoted bank deposit or swap interest rates. If a derivative contract is in a net liability position, the Company adjusts these discount rates, if required, by an estimate of the credit spread that would be applied by market participants purchasing these contracts from the Company’s counterparties. If an estimate of the credit spread is required, the Company uses significant assumptions and factors other than quoted market rates, which would result in the classification of its derivative liabilities within Level 3 of the fair value hierarchy. As of October 3, 2020 and December 31, 2019, there were no derivative contracts that were classified within Level 3 of the fair value hierarchy. In addition, there were no transfers in or out of Level 3 of the fair value hierarchy in the first nine months of 2020.

In the third quarter of 2020, the Company revalued certain pension benefit plan assets in conjunction with a settlement (Note 10, "Pension and Other Postretirement Benefit Plans"). As of October 3, 2020, the fair value of these assets was $274.4 million, of which $60.3 million is classified within Level 1 of the fair value hierarchy, $184.2 million is classified within Level 2 of the fair value hierarchy and $29.9 million is valued at net asset value.

Items Measured at Fair Value on a Non-Recurring Basis

The Company measures certain assets and liabilities at fair value on a non-recurring basis, which are not included in the table above. As these non-recurring fair value measurements are generally determined using unobservable inputs, these fair value measurements are classified within Level 3 of the fair value hierarchy.

In the first quarter of 2020, the Company completed a quantitative goodwill impairment assessment for one of its reporting units. The fair value estimate of the reporting unit was based on a third-party valuation and management's estimates, using a combination of the discounted cash flow method and guideline public company method.

As of October 3, 2020, there were no additional significant assets or liabilities measured at fair value on a non-recurring basis.

(19) Accounting Pronouncements

The Company considers the applicability and impact of all ASUs issued by the Financial Accounting Standards Board ("FASB").

The Company considered the ASUs summarized below, effective for 2020:

Measurement of Credit Losses on Financial Instruments

See Note 18, "Financial Instruments — Accounts Receivable."

Simplifying the Test for Goodwill Impairment

Effective January 1, 2020, the standard simplifies the accounting for goodwill impairments and allows a goodwill impairment charge to be based on the amount of a reporting unit's carrying value in excess of its fair value. This eliminates the requirement to calculate the implied fair value of goodwill (i.e., "Step 2" under current guidance).

Reference Rate Reform

In March 2020, the FASB issued guidance related to reference rate reform. The guidance provides temporary optional expedients and exceptions to the current guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. The guidance was effective upon issuance and generally can be applied to applicable contract modifications and hedge relationships prospectively through December 31, 2022. The adoption of this guidance is not expected to have a significant impact on the Company's financial statements.

The Company considered the ASUs summarized below, effective after 2020:

Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." The standard simplifies the accounting for income taxes by eliminating certain exceptions to the general principles in Topic 740 and amends existing guidance to improve consistent application. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The adoption of this standard is not expected to have a significant impact on the Company's financial statements.

Disclosure Requirements for Defined Benefit Plans

In August 2018, the FASB issued ASU 2018-14, "Compensation — Retirement Benefits — Defined Benefit Plans — General (Subtopic 715-20): Disclosure Framework — Changes to the Disclosure Requirements for Defined Benefit Plans," which provides minor changes to the disclosure requirements for employers that sponsor defined benefit pension and/or other postretirement benefit plans. This standard is effective for fiscal years ending after December 15, 2020, and early adoption is permitted. The adoption of this standard is not expected to have a significant impact on the Company's financial statements.

ITEM 2 — MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

EXECUTIVE OVERVIEW

We are a leading Tier 1 supplier to the global automotive industry. We supply seating, electrical distribution systems and electronic modules, as well as related sub-systems, components and software, to all of the world's major automotive manufacturers.

We use our product, design and technological expertise, global reach and competitive manufacturing footprint to achieve our financial goals and objectives of continuing to deliver profitable growth (balancing risks and returns), maintaining a strong balance sheet with investment grade credit metrics and consistently returning excess cash to our stockholders.

Our Seating business consists of the design, development, engineering, just-in-time assembly and delivery of complete seat systems, as well as the design, development, engineering and manufacture of all major seat components, including seat covers and surface materials such as leather and fabric, seat structures and mechanisms, seat foam and headrests. Further, we have capabilities in active sensing and comfort for seats, utilizing electronically controlled sensor and adjustment systems and internally developed algorithms.

Our E-Systems business consists of the design, development, engineering and manufacture of complete electrical distribution systems, as well as sophisticated electronic control modules, electrification products, connectivity products and software solutions for the cloud, vehicles and mobile devices. Electrical distribution systems route networks and electrical signals and manage electrical power within the vehicle for all types of powertrains - from traditional internal combustion engine ("ICE") architectures to the full range of hybrid, plug-in hybrid and battery electric architectures. Key components in our electrical distribution portfolio include wire harnesses, terminals and connectors and junction boxes for both ICE and electrification architectures that require management of higher voltage and power. Electronic control modules facilitate signal, data and power management within the vehicle and include the associated software required to facilitate these functions. Key components in our electronic control module portfolio include body control modules, wireless receiver and transmitter technology and lighting and audio control modules, as well as products specific to electrification and connectivity trends. Electrification products include charging systems (onboard charging modules and cord set charging equipment), battery electronics (battery disconnect units, cell monitoring supervisory systems and integrated total battery control modules) and other power management modules, including converter and inverter systems which may be integrated into other modules or sold separately. Connectivity products include gateway modules and communication modules to manage both wired and wireless networks and data in vehicles. In addition to fully functional electronic modules, we offer software that includes cybersecurity, advanced vehicle positioning for automated and autonomous driving applications, roadside modules that communicate real-time traffic information and full capabilities in both dedicated short-range communication and cellular protocols for vehicle connectivity. Our software solutions also include Xevo Journeyware, a thin-client platform for the cloud, vehicles and mobile devices that enables consumer e-commerce, multi-media applications and enterprise services to improve performance and safety, deliver an artificial intelligence-enhanced driving experience and provide new monetization opportunities for us and the automotive manufacturers, and Xevo Market, an in-vehicle commerce and service platform that connects customers with their favorite brands and services by delivering highly-contextual sales offers through vehicle touch screens and vehicle-branded mobile applications.

We serve all of the world's major automotive manufacturers across both our Seating and E-Systems businesses, and we have automotive content on more than 400 vehicle nameplates worldwide. It is common to have both seating and electrical content on the same and multiple vehicle platforms with a single customer. Further, the seat is becoming a more dynamic and integrated system requiring increased levels of electrical and electronic integration, which is accelerating the convergence of our Seating and E-Systems businesses. We are the only global automotive supplier with complete capabilities in both of these critical business segments. Our businesses benefit globally from leveraging common operating standards and disciplines, including world-class product development and manufacturing processes, as well as common customer support and regional infrastructures. Our core capabilities are shared across component categories and include high-precision manufacturing and assembly with short lead times, management of complex supply chains, global engineering and program management skills, the agility to establish and/or transfer production between facilities quickly and a unique customer-focused culture. Our businesses utilize proprietary, industry-specific processes and standards, leverage common low-cost engineering centers and share centralized operating support functions, such as logistics, supply chain management, quality and health and safety, as well as all major administrative functions.

For further information related to industry trends and our strategy, see Part 1 — Item 1, "Business — Industry and Strategy," of our Annual Report on Form 10-K for the year ended December 31, 2019.

COVID-19 Pandemic

Industry overview

Unprecedented industry disruptions related to the COVID-19 pandemic impacted operations in every region of the world. Global automotive industry production volumes in the first nine months of 2020, as compared to the first nine months of 2019, are shown below (in millions of units):

	Nine Months Ended		
	October 3, 2020 (1)	September 28, 2019 (1) (2)	% Change
North America	9.2	12.5	(26)%
Europe and Africa	11.5	16.4	(30)%
Asia	26.4	32.5	(19)%
South America	1.4	2.4	(41)%
Other	1.0	1.1	(8)%
Global light vehicle production	49.4	64.9	(24)%

(1) Production data based on IHS Automotive
(2) Production data for 2019 has been updated to reflect actual production levels

Our operations in China were impacted first, with most plants in the country closed for several weeks during the first quarter. At the end of the first quarter, all of our facilities in China were operating and capacity utilization was increasing. Beginning in mid-March, our operations in Europe, North America, South America and Asia (outside of China) were impacted, with virtually all of our plants closed at the end of the first quarter and closures continuing throughout April and, in most cases, a portion of May. Although manufacturing resumed gradually, most of our plants in our major markets were operating at pre-COVID-19 levels at the end of the second quarter and throughout the third quarter. We experienced significant inefficiencies and incremental costs related to the COVID-19 pandemic in the first half of the year, which diminished toward the end of the second quarter. In the third quarter, we experienced less significant but ongoing costs related to personal protective equipment, employee transportation and higher labor costs reflecting an increase in absenteeism.

Although industry production has returned to pre-COVID-19 levels, partially due to our customers' need to replenish inventory levels, it is likely that, for a period of time, the global automotive industry will experience lower demand for new vehicles as a result of the global economic slowdown caused by the COVID-19 pandemic, as new vehicle sales are typically correlated with positive consumer confidence and low unemployment. We are also continuing to monitor our supply base, as well as related production constraints imposed by various governments, to minimize the impact on our manufacturing operations. Further, a resurgence of the virus with corresponding shelter-in-place orders impacting industry production later in 2020 or in 2021 could also impact our financial results.

Our percentage of consolidated net sales by region in the first nine months of 2020 and 2019 is shown below:

	Nine Months Ended	
	October 3, 2020	September 28, 2019
North America	40%	38%
Europe and Africa	36%	40%
Asia	21%	19%
South America	3%	3%
Total	100%	100%

Liquidity actions

In response to the COVID-19 pandemic, we took a number of proactive steps to preserve cash and maximize our financial flexibility, including the reduction of discretionary spending, the implementation of salary reductions and deferrals, the reduction of capital expenditures, the aggressive management of working capital and the suspension of share repurchases and quarterly dividends. We are also continuing to seek opportunities offered under government incentive programs throughout the world. In March 2020, we borrowed $1.0 billion under our revolving credit facility, which was repaid in full in September 2020. With $1.25 billion of cash on hand at the end of the third quarter, $1.75 billion of availability under our revolving credit facility and no near-term debt maturities, we believe that we are well positioned to withstand the continuing effects of the COVID-19 pandemic.

Employee protection

Our top priority is to ensure the health and safety of our employees. We have restricted business travel, established protocols for visitors entering our facilities, enhanced disinfection and cleaning procedures at our facilities and promoted social distancing. We have created a Safe Work Playbook, which provides a standardized approach for each of our facilities to create a consistent and safe work environment and offers insights into navigating operational challenges related to the COVID-19 pandemic. The playbook is publicly available and includes health and safety information related to plant operating protocols; employee education, training and feedback; facility assessments; and phased reopening of engineering and administrative centers. All of our facilities and offices are open, and our employees are efficiently working within the new safety protocols.

For risks related to the COVID-19 pandemic, see Part II — Item 1A, "Risk Factors," included in this Report.

Financing Transactions

Senior Notes

In February 2020, we issued $350 million in aggregate principal amount at maturity of 2030 notes (the "2030 Notes") and an additional $300 million in aggregate principal amount at maturity of 2049 notes (the "2049 Notes"). The 2030 Notes have a stated coupon rate of 3.5% and were issued at 99.774% of par, resulting in a yield to maturity of 3.525%. The 2049 Notes have a stated coupon rate of 5.25% and were issued at 106.626% of par, resulting in a yield to maturity of 4.821%.

The net proceeds from the offering were $669 million after original issue discount. The proceeds were used to redeem the $650 million in aggregate principal amount of 2025 notes (the "2025 Notes") at a redemption price equal to 102.625% of the principal amount of such 2025 Notes, plus accrued interest.

In connection with these transactions, we recognized a loss of $21 million on the extinguishment of debt and paid related issuance costs of $6 million.

For further information, see "— Liquidity and Capital Resources — Capitalization — Senior Notes" below and Note 8 "Debt," to the condensed consolidated financial statements included in this Report.

Credit Agreement

Our unsecured credit agreement (the "Credit Agreement"), dated August 8, 2017, consists of a $1.75 billion revolving credit facility (the "Revolving Credit Facility") and a $250 million term loan facility (the "Term Loan Facility"). In February 2020, we entered into an agreement to extend the maturity date of the Revolving Credit Facility by one year to August 8, 2024, and paid related issuance costs of $1 million. The maturity date of the Term Loan Facility remains August 8, 2022.

In March 2020, as a proactive measure in response to the COVID-19 pandemic, we borrowed $1.0 billion under the Revolving Credit Facility, which was repaid in full in September 2020, resulting in availability of $1.75 billion.

For further information, see "— Liquidity and Capital Resources — Capitalization — Credit Agreement" below and Note 8, "Debt," to the condensed consolidated financial statements included in this Report.

Operational Restructuring

In the first nine months of 2020, we incurred pretax restructuring costs of $119 million and related manufacturing inefficiency charges of approximately $4 million, as compared to pretax restructuring costs of $123 million and related manufacturing inefficiency charges of approximately $5 million in the first nine months of 2019. None of the individual restructuring actions initiated during the first nine months of 2020 were material. Our restructuring actions include plant closures and workforce reductions and are initiated to maintain our competitive footprint or are in response to customer initiatives or changes in global and regional automotive markets. Our restructuring actions are designed to maintain or improve our future operating results and profitability throughout the automotive industry cycles. Restructuring actions are generally funded within twelve months of initiation and are funded by cash flows from operating activities and existing cash balances. There have been no changes in previously initiated restructuring actions that have resulted (or will result) in a material change to our restructuring costs. We expect to incur approximately $30 million of additional restructuring costs related to activities initiated as of October 3, 2020, all of which are expected to be incurred by the end of 2021. We plan to implement additional restructuring actions in response to the COVID-19 pandemic in order to align our manufacturing capacity and other costs with prevailing regional automotive production levels. Such future restructuring actions are dependent on market conditions, customer actions and other factors.

For further information, see Note 3, "Restructuring," and Note 17, "Segment Reporting," to the condensed consolidated financial statements included in this Report.

Share Repurchase Program and Quarterly Cash Dividends

Since the first quarter of 2011, our Board of Directors has authorized $6.1 billion in share repurchases under our common stock share repurchase program. In March 2020, as a proactive measure in response to the COVID-19 pandemic, we suspended share repurchases under our share repurchase program. Prior to the suspension, we repurchased $70 million of shares in the first quarter of 2020 and have a remaining repurchase authorization of $1.4 billion, which will expire on December 31, 2022.

In March 2020, as a proactive measure in response to the COVID-19 pandemic, we suspended our quarterly cash dividend. Prior to the suspension, our Board of Directors declared a cash dividend of $0.77 per share of common stock in the first quarter of 2020.

For further information related to our common stock share repurchase program and our quarterly cash dividends, see "— Liquidity and Capital Resources — Capitalization" below and Note 15, "Comprehensive Income (Loss) and Equity," to the condensed consolidated financial statements included in this Report.

Other Matters

In the three months ended October 3, 2020, we recognized tax benefits of $10 million related to the release of a valuation allowance on deferred tax assets and $5 million related to an increase in our research and development tax credits resulting from the completion of a research and development tax credit study, partially offset by net tax expense of $10 million related to restructuring charges and various other items. In the nine months ended October 3, 2020, we recognized tax benefits of $21 million related to a loss on the extinguishment of debt, restructuring charges and various other items and $5 million related to an increase in our research and development tax credits resulting from the completion of a research and development tax credit study, partially offset by net tax expense of $12 million related to a net increase in valuation allowances on deferred tax assets.

In the three and nine months ended September 28, 2019, we recognized a gain of $4 million related to the deconsolidation of an affiliate.

In the three and nine months ended September 28, 2019, we recognized tax benefits of $29 million related to an increase in our research and development tax credits for the years 2013 through 2018. In the three months ended September 28, 2019 we also recognized net tax benefits of $9 million related to restructuring and various other items. In the nine months ended September 28, 2019, we also recognized tax benefits of $18 million related to changes in the tax status of certain affiliates, $3 million related to share-based compensation and $36 million related to restructuring and various other items, partially offset by tax expense of $10 million related to the establishment of a valuation allowance on deferred tax assets of a foreign subsidiary.

As discussed above, our results for the three and nine months ended October 3, 2020 and September 28, 2019, reflect the following items (in millions):

	Three Months Ended		Nine Months Ended	
	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Costs related to restructuring actions, including manufacturing inefficiencies of $1 million and $4 million, respectively, in the three and nine months ended October 3, 2020, and $2 million and $5 million, respectively, in the three and nine months ended September 28, 2019	$ 50	$ 33	$ 123	$ 128
Acquisition and other related costs	-	-	-	2
Litigation	-	-	-	1
Loss on extinguishment of debt	-	-	21	11
Gain related to affiliate	-	(4)	-	(6)
Tax benefit, net	(5)	(38)	(14)	(75)

For further information regarding these items, see Note 3, "Restructuring," Note 8, "Debt," and Note 13, "Income Taxes," to the condensed consolidated financial statements included in this Report.

This Item 2, "Management’s Discussion and Analysis of Financial Condition and Results of Operations," includes forward-looking statements that are subject to risks and uncertainties. For further information regarding other factors that have had, or may have in the future, a significant impact on our business, financial condition or results of operations, see "— Forward-Looking Statements" below and Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2019.

RESULTS OF OPERATIONS

A summary of our operating results in millions of dollars and as a percentage of net sales is shown below:

	Three Months Ended				Nine Months Ended			
	October 3, 2020		September 28, 2019		October 3, 2020		September 28, 2019	
Net sales								
Seating	$ 3,691.6	75.3%	$ 3,715.0	77.0%	$ 8,813.1	74.7%	$ 11,468.1	76.5%
E-Systems	1,208.5	24.7	1,110.0	23.0	2,989.2	25.3	3,524.6	23.5
Net sales	4,900.1	100.0	4,825.0	100.0	11,802.3	100.0	14,992.7	100.0
Cost of sales	4,457.3	91.0	4,365.7	90.5	11,152.7	94.5	13,582.0	90.6
Gross profit	442.8	9.0	459.3	9.5	649.6	5.5	1,410.7	9.4
Selling, general and administrative expenses	147.7	3.0	141.9	2.9	442.3	3.7	447.3	3.0
Amortization of intangible assets	16.3	0.3	16.7	0.3	49.4	0.4	45.3	0.3
Interest expense	26.5	0.5	24.0	0.5	78.1	0.7	69.4	0.4
Other expense, net	17.1	0.3	9.7	0.2	54.4	0.5	27.9	0.2
Provision for income taxes	44.6	0.9	33.5	0.7	30.1	0.2	149.9	1.0
Equity in net income of affiliates	(6.5)	(0.1)	(5.1)	(0.1)	(15.9)	(0.1)	(15.8)	(0.1)
Net income attributable to noncontrolling interests	22.7	0.5	22.7	0.5	54.3	0.5	59.1	0.4
Net income (loss) attributable to Lear	$ 174.4	3.6%	$ 215.9	4.5%	$ (43.1)	(0.4)%	$ 627.6	4.2%

Three Months Ended October 3, 2020 vs. Three Months Ended September 28, 2019

Net sales in the third quarter of 2020 were $4.9 billion, as compared to $4.8 billion in the third quarter of 2019, an increase of $75 million or 2%. The impact of new business globally increased net sales by $293 million. This increase was largely offset by lower production volumes on Lear platforms, primarily in Europe, which reduced net sales by $210 million.

(in millions)	Cost of Sales
Third quarter 2019	$ 4,365.7
Material cost	18.8
Labor and other	64.6
Depreciation	8.2
Third quarter 2020	$ 4,457.3

Cost of sales in the third quarter of 2020 was $4.5 billion, as compared to $4.4 billion in the third quarter of 2019. The impact of new business globally was offset by lower production volumes on Lear platforms, primarily in Europe.

Gross profit and gross margin were $443 million and 9.0% of net sales, respectively, in the third quarter of 2020, as compared to $459 million and 9.5% of net sales, respectively, in the third quarter of 2019. Lower production volumes on Lear platforms and costs related to the COVID-19 pandemic, offset by the impact of new business, reduced gross profit by $35 million. Favorable operating performance, including the benefit of operational restructuring actions, was partially offset by the impact of selling price reductions. These factors had a corresponding impact on gross margin.

Selling, general and administrative expenses, including engineering and development expenses, were $148 million in the third quarter of 2020, as compared to $142 million in the third quarter of 2019. As a percentage of net sales, selling, general and administrative expenses were 3.0% in the third quarter of 2020, as compared to 2.9% in the third quarter of 2019.

Amortization of intangible assets was $16 million in the third quarter of 2020, as compared to $17 million in the third quarter of 2019.

Interest expense was $27 million in the third quarter of 2020, as compared to $24 million in the third quarter of 2019.

Other expense, net, which includes non-income related taxes, foreign exchange gains and losses, gains and losses related to certain derivative instruments and hedging activities, losses on the extinguishment of debt, gains and losses on the disposal of fixed assets, gains and losses on the consolidation and deconsolidation of affiliates, the non-service cost components of net periodic benefit cost and other miscellaneous income and expense, was $17 million in the third quarter of 2020, as compared to $10 million in the third quarter of 2019. In the third quarter of 2020, we recognized a pension settlement loss of $10 million. In the third quarter of 2019, we recognized a gain of $4 million related to the deconsolidation of an affiliate.

In the third quarter of 2020, the provision for income taxes was $45 million, representing an effective tax rate of 19.0% on pretax income before equity in net income of affiliates of $235 million. In the third quarter of 2019, the provision for income taxes was $34 million, representing an effective tax rate of 12.5% on pretax income before equity in net income of affiliates of $267 million, for the reasons described below.

In the third quarters of 2020 and 2019, the provision for income taxes was primarily impacted by the level and mix of earnings among tax jurisdictions. In the third quarter of 2020, we recognized tax benefits of $10 million related to the release of a valuation allowance on deferred tax assets and $5 million related to an increase in our research and development tax credits resulting from the completion of a research and development tax credit study, partially offset by net tax expense of $10 million related to restructuring charges and various other items. In the third quarter of 2019, we recognized tax benefits of $29 million related to an increase in our research and development tax credits for the years 2013 through 2018 and net tax benefits of $9 million related to restructuring and various other items. In addition, we recognized a gain of $4 million related to the deconsolidation of an affiliate, for which no tax expense was provided. Excluding these items, the effective tax rate for the third quarters of 2020 and 2019 approximated the U.S. federal statutory income tax rate of 21%, adjusted for income taxes on foreign earnings, losses and remittances, valuation allowances, tax credits, income tax incentives and other permanent items.

In the third quarters of 2020 and 2019, we measured our tax expense based on the estimated annual effective rate. For further information, see Note 13, "Income Taxes," to the condensed consolidated financial statements included in this Report.

Equity in net income of affiliates was $7 million in the third quarter of 2020, as compared to $5 million in the third quarter of 2019.

Net income attributable to Lear was $174 million, or $2.89 per diluted share, in the third quarter of 2020, as compared to $216 million, or $3.58 per diluted share, in the third quarter of 2019. Net income and diluted net income per share decreased for the reasons described above. In addition, diluted net income per share was impacted by the decrease in average shares outstanding between periods.

Reportable Operating Segments

We have two reportable operating segments: Seating and E-Systems. For a description of our reportable operating segments, see "Executive Overview" above.

The financial information presented below is for our two reportable operating segments and our other category for the periods presented. The other category includes unallocated costs related to corporate headquarters, regional headquarters and the elimination of intercompany activities, none of which meets the requirements for being classified as an operating segment. Corporate and regional headquarters costs include various support functions, such as information technology, advanced research and development, corporate finance, legal, executive administration and human resources. Financial measures regarding each segment’s pretax income before equity in net income of affiliates, interest expense and other expense, net ("segment earnings") and segment earnings divided by net sales ("margin") are not measures of performance under accounting principles generally accepted in the United States ("GAAP"). Segment earnings and the related margin are used by management to evaluate the performance of our reportable operating segments. Segment earnings should not be considered in isolation or as a substitute for net income attributable to Lear, 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, segment earnings, as we determine it, may not be comparable to related or similarly titled measures reported by other companies.

For a reconciliation of consolidated segment earnings to consolidated income before provision for income taxes and equity in net income of affiliates, see Note 17, "Segment Reporting," to the condensed consolidated financial statements included in this Report.

Seating

A summary of the financial measures for our Seating segment is shown below (dollar amounts in millions):

	Three Months Ended	
	October 3, 2020	September 28, 2019
Net sales	$ 3,691.6	$ 3,715.0
Segment earnings [1]	250.7	281.5
Margin	6.8%	7.6%

(1) See definition above

Seating net sales were $3.7 billion in the third quarters of 2020 and 2019, reflecting a decrease of $23 million or 1%. Lower production volumes on Lear platforms negatively impacted net sales by $189 million. This decrease was largely offset by the impact of new business, which increased net sales by $180 million.

Segment earnings, including restructuring costs, and the related margin on net sales were $251 million and 6.8% in the third quarter of 2020, as compared to $282 million and 7.6% in the third quarter of 2019. Lower production volumes on Lear platforms and costs related to the COVID-19 pandemic, offset by the impact of new business, reduced segment earnings by $36 million. Favorable operating performance, including the benefit of operational restructuring actions, was partially offset by the impact of selling price reductions. Segment earnings were also negatively impacted by higher restructuring costs.

E-Systems

A summary of financial measures for our E-Systems segment is shown below (dollar amounts in millions):

	Three Months Ended	
	October 3, 2020	September 28, 2019
Net sales	$ 1,208.5	$ 1,110.0
Segment earnings(1)	86.0	74.3
Margin	7.1%	6.7%

(1) See definition above

E-Systems net sales were $1.2 billion in the third quarter of 2020, as compared to $1.1 billion in the third quarter of 2019, an increase of $99 million or 9%. The impact of new business increased net sales by $113 million. This increase was partially offset by lower production volumes on Lear platforms, which reduced net sales by $21 million.

Segment earnings, including restructuring costs, and the related margin on net sales were $86 million and 7.1% in the third quarter of 2020, as compared to $74 million and 6.7% in the third quarter of 2019. The impact of new business was offset by lower production volumes on Lear platforms and costs related to the COVID-19 pandemic. Improved operating performance and lower restructuring costs was partially offset by the impact of selling price reductions.

Other

A summary of financial measures for our other category, which is not an operating segment, is shown below (dollar amounts in millions):

	Three Months Ended	
	October 3, 2020	September 28, 2019
Net sales	$ -	$ -
Segment earnings (1)	(57.9)	(55.1)
Margin	N/A	N/A

(1) See definition above

Segment earnings related to our other category were ($58) million in the third quarter of 2020, as compared to ($55) million in the third quarter of 2019.

Nine Months Ended October 3, 2020 vs. Nine Months Ended September 28, 2019

Net sales for the nine months ended October 3, 2020 were $11.8 billion, as compared to $15.0 billion for the nine months ended September 28, 2019, a decrease of $3.2 billion or 21%. Lower production volumes on Lear platforms globally, largely due to the COVID-19 pandemic, negatively impacted net sales by more than $3.2 billion.

(in millions)	Cost of Sales
First nine months of 2019	$ 13,582.0
Material cost	(2,151.2)
Labor and other	(291.1)
Depreciation	13.0
First nine months of 2020	$ 11,152.7

Cost of sales in the first nine months of 2020 were $11.2 billion, as compared to $13.6 billion in the first nine months of 2019. Lower production volumes on Lear platforms globally, largely due to the COVID-19 pandemic, reduced cost of sales by more than $2.5 billion.

Gross profit and gross margin were $650 million and 5.5% of net sales, respectively, for the nine months ended October 3, 2020, as compared to $1.4 billion and 9.4% of net sales, respectively, for the nine months ended September 28, 2019. Lower production volumes on Lear platforms globally, largely due to the COVID-19 pandemic, and costs related to the COVID-19 pandemic negatively impacted gross profit by $786 million. Favorable operating performance, including the benefit of operational restructuring actions, and lower restructuring costs was offset by the impact of selling price reductions. These factors had a corresponding impact on gross margin.

Selling, general and administrative expenses, including engineering and development expenses, were $442 million in the first nine months of 2020, as compared to $447 million in the first nine months of 2019. As a percentage of net sales, selling, general and administrative expenses were 3.7% in the first nine months of 2020, as compared to 3.0% in the first nine months of 2019, reflecting the significant decrease in net sales in 2020.

Amortization of intangible assets was $49 million in the first nine months of 2020, as compared to $45 million in the first nine months of 2019.

Interest expense was $78 million in the first nine months of 2020, as compared to $69 million in the first nine months of 2019.

Other expense, net, which includes non-income related taxes, foreign exchange gains and losses, gains and losses related to certain derivative instruments and hedging activities, losses on the extinguishment of debt, gains and losses on the disposal of fixed assets, gains and losses on the consolidation and deconsolidation of affiliates, the non-service cost components of net periodic benefit cost and other miscellaneous income and expense, was $54 million for the nine months ended October 3, 2020, as compared to $28 million for the nine months ended September 28, 2019. In the first nine months of 2020, we recognized a loss of $21 million related to the extinguishment of debt and a pension settlement loss of $10 million. In the first nine months of 2019, we recognized a loss of $11 million related to the extinguishment of debt and a gain of $4 million related to the deconsolidation of an affiliate.

For the nine months ended October 3, 2020, the provision for income taxes was $30 million, representing an effective tax rate of 118.5% on pretax income before equity in net income of affiliates of $25 million. For the nine months ended September 28, 2019, the provision for income taxes was $150 million, representing an effective tax rate of 18.3% on pretax income before equity in net income of affiliates of $821 million. In the first nine months of 2020, pretax income before equity in net income of affiliates was significantly lower than in the first nine months of 2019, primarily due to the COVID-19 pandemic, and as a result, relatively small changes in the provision for income taxes in 2020 can cause disproportionate changes in the effective tax rate as compared to 2019. The higher effective tax rate in the first nine months of 2020, as compared to the first nine months of 2019, was also due to the net discrete tax expense and lower tax benefit on our restructuring charges and various other items in 2020.

In the first nine months of 2020 and 2019, the provision for income taxes was primarily impacted by the level and mix of earnings among tax jurisdictions. In the first nine months of 2020, we recognized tax benefits of $21 million related to a loss on the extinguishment of debt, restructuring charges and various other items and $5 million related to an increase in our research and development tax credits resulting from the completion of a research and development tax credit study, partially offset by net tax expense of $12 million related to a net increase in valuation allowances on deferred tax assets. In the first nine months of 2019, we recognized tax benefits of $29 million related to an increase in our research and development tax credits for the years 2013 through 2018, $18 million related to changes in the tax status of certain affiliates, $3 million related to share-based compensation and $36 million related to restructuring and various other items, partially offset by tax expense of $10 million related to the establishment of a valuation allowance on deferred tax assets of a foreign subsidiary. In addition, we recognized a gain of $4 million related to the deconsolidation of an affiliate, for which no tax expense was provided.

In the first nine months of 2020 and 2019, we measured our tax expense based on the estimated annual effective rate. For further information, see Note 13, "Income Taxes," to the condensed consolidated financial statements included in this Report.

Equity in net income of affiliates was $16 million in the first nine months of 2020 and 2019.

Net income (loss) attributable to Lear was ($43) million, or ($0.72) per diluted share, for the nine months ended October 3, 2020, as compared to $628 million, or $10.23 per diluted share, for the nine months ended September 28, 2019. Net income (loss) and diluted net income (loss) per share decreased for the reasons described above. In addition, diluted net income (loss) per share was impacted by the decrease in average shares outstanding between periods.

Reportable Operating Segments

We have two reportable operating segments: Seating and E-Systems. For a description of our reportable operating segments, see "Executive Overview" and "Three Months Ended October 3, 2020 vs. Three Months Ended September 28, 2019 — Reportable Operating Segments" above.

Seating

A summary of the financial measures for our Seating segment is shown below (dollar amounts in millions):

	Nine Months Ended	
	October 3, 2020	**September 28, 2019**
Net sales	$ 8,813.1	$ 11,468.1
Segment earnings (1)	320.4	817.0
Margin	3.6%	7.1%

(1) See definition above

Seating net sales were $8.8 billion for the nine months ended October 3, 2020, as compared to $11.5 billion for the nine months ended September 28, 2019, a decrease of $2.7 billion or 23%. Lower production volumes on Lear platforms globally, largely due to the COVID-19 pandemic, negatively impacted net sales by nearly $2.7 billion.

Segment earnings, including restructuring costs, and the related margin on net sales were $320 million and 3.6% for the nine months ended October 3, 2020, as compared to $817 million and 7.1% for the nine months ended September 28, 2019. Lower production volumes on Lear platforms globally, largely due to the COVID-19 pandemic, and costs related to the COVID-19 pandemic negatively impacted segment earnings by $587 million. Favorable operating performance, including the benefit of operational restructuring actions, was partially offset by the impact of selling price reductions. Segment earnings were also favorably impacted by lower restructuring costs.

E-Systems

A summary of financial measures for our E-Systems segment is shown below (dollar amounts in millions):

	Nine Months Ended	
	October 3, 2020	September 28, 2019
Net sales	$ 2,989.2	$ 3,524.6
Segment earnings (1)	5.0	287.3
Margin	0.2%	8.2%

(1) See definition above

E-Systems net sales were $3.0 billion for the nine months ended October 3, 2020, as compared to $3.5 billion for the nine months ended September 28, 2019, a decrease of $535 million or 15%. Lower production volumes on Lear platforms globally, largely due to the COVID-19 pandemic, negatively impacted net sales by more than $600 million.

Segment earnings, including restructuring costs, and the related margin on net sales were $5 million and 0.2% for the nine months ended October 3, 2020, as compared to $287 million and 8.2% for the nine months ended September 28, 2019. Lower production volumes on Lear platforms globally, largely due to the COVID-19 pandemic, and costs related to the COVID-19 pandemic negatively impacted segment earnings by $224 million. Improved operating performance was more than offset by the impact of selling price reductions and, to a lesser extent, higher restructuring costs.

Other

A summary of financial measures for our other category, which is not an operating segment, is shown below (dollar amounts in millions):

	Nine Months Ended	
	October 3, 2020	September 28, 2019
Net sales	$ -	$ -
Segment earnings(1)	(167.5)	(186.2)
Margin	N/A	N/A

(1) See definition above

Segment earnings related to our other category were ($168) million in the first nine months of 2020, as compared to ($186) million in the first nine months of 2019, primarily reflecting lower compensation-related costs in 2020.

LIQUIDITY AND CAPITAL RESOURCES

Our primary liquidity needs are to fund general business requirements, including working capital requirements, capital expenditures, operational restructuring actions and debt service requirements. Our principal sources of liquidity are cash flows from operating activities, borrowings under available credit facilities and our existing cash balance.

Adequacy of Liquidity Sources

As of October 3, 2020, we had $1.25 billion of cash and cash equivalents on hand and $1.75 billion in available borrowing capacity under our Revolving Credit Facility. Together with cash provided by operating activities, we believe that this will enable us to meet our liquidity needs for the foreseeable future and to satisfy ordinary course business obligations.

In response to the COVID-19 pandemic, we took a number of proactive steps to preserve cash and maximize our financial flexibility in order to efficiently manage through the COVID-19 pandemic, including:

- Aggressively reducing operating costs, capital expenditures and working capital, including reducing discretionary spending

- Reducing salaried employee costs throughout the organization through salary reductions and deferrals
- Suspending share repurchases and quarterly dividends
- Maximizing opportunities offered under government incentive programs throughout the world
- Reducing the compensation of the Board of Directors
- Reducing hourly factory worker costs through temporary layoffs
- Delaying planned pension funding and deferring other retirement plan contributions

Our future financial results and our ability to continue to meet our liquidity needs are subject to, and will be affected by, cash flows from operations, including the continuing effects of the COVID-19 pandemic, as well as restructuring activities, automotive industry conditions, the financial condition of our customers and suppliers and other related factors.

For further discussion of the risks and uncertainties affecting our cash flows from operations and our overall liquidity, see "— Executive Overview" above, "— Forward-Looking Statements" below, Part II — Item 1A, "Risk Factors," included in this Report and Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2019.

Cash Provided by Subsidiaries

A substantial portion of our operating income is generated by our subsidiaries. As a result, we are dependent on the earnings and cash flows of and the combination of dividends, royalties, intercompany loan repayments and other distributions and advances from our subsidiaries to provide the funds necessary to meet our obligations.

As of October 3, 2020 and December 31, 2019, cash and cash equivalents of $788 million and $895 million, respectively, were held in foreign subsidiaries and can be repatriated, primarily through the repayment of intercompany loans and the payment of dividends, without creating additional income tax expense. There are no significant restrictions on the ability of our subsidiaries to pay dividends or make other distributions to Lear.

For further information related to potential dividends from our non-U.S. subsidiaries, see Note 8, "Income Taxes," to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2019.

Cash Flows

A summary of net cash provided by operating activities is shown below (in millions):

	Nine Months Ended		
	October 3, 2020	September 28, 2019	Increase (Decrease) in Operating Cash Flow
Consolidated net income and depreciation and amortization	$ 408	$ 1,067	$ (659)
Net change in working capital items:			
Accounts receivable	(417)	(513)	96
Inventory	(14)	(124)	110
Accounts payable	124	209	(85)
Accrued liabilities and other	169	266	(97)
Net change in working capital items	(138)	(162)	24
Other	(8)	(106)	98
Net cash provided by operating activities	$ 262	$ 799	$ (537)

In the first nine months of 2020 and 2019, net cash provided by operating activities was $262 million and $799 million, respectively. The overall decrease in operating cash flows of $537 million was primarily due to lower earnings in 2020.

Net cash used in investing activities was $297 million in the first nine months of 2020, as compared to $739 million in the first nine months of 2019. In the first nine months of 2019, we paid $322 million for the acquisition of Xevo. Capital spending was $285 million in the first nine months of 2020, as compared to $410 million in the first nine months of 2019. Capital spending is estimated to be approximately $425 million in 2020, which reflects a delay in certain program launches and a reduction in discretionary spending in response to the COVID-19 pandemic.

Net cash used in financing activities was $212 million in the first nine months of 2020, as compared to $237 million in the first nine months of 2019. In the first quarter of 2020, we borrowed $1.0 billion under the Revolving Credit Facility as a proactive measure in response to the COVID-19 pandemic, which was repaid in full in the third quarter of 2020. In 2020, we received net proceeds of $669 million related to the issuance of the 2030 and additional 2049 Notes and paid $6 million of related issuance costs and $667 million related to the redemption of the outstanding 2025 Notes. Also in 2020, we paid $70 million for repurchases of our common stock, $52 million of dividends to Lear stockholders and $46 million of dividends to noncontrolling interest holders. In 2019, we received net proceeds of $693 million related to the issuance of the 2029 and 2049 Notes and paid $6 million of related issuance costs and $334 million related to the redemption of the outstanding 2024 Notes. Also in 2019, we paid $360 million for repurchases of our common stock, $141 million of dividends to Lear stockholders and $34 million of dividends to noncontrolling interest holders.

Capitalization

From time to time, we utilize uncommitted credit facilities to fund our capital expenditures and working capital requirements at certain of our foreign subsidiaries, in addition to cash provided by operating activities. The availability of uncommitted lines of credit may be affected by our financial performance, credit ratings and other factors. As of October 3, 2020 and December 31, 2019, our short-term borrowings outstanding were $4 million and $19 million, respectively.

Senior Notes

As of October 3, 2020, our senior notes (collectively, the "Notes") consisted of the amounts shown below (in millions, except stated coupon rates):

Note	Aggregate Principal Amount at Maturity	Stated Coupon Rate
Senior unsecured notes due 2027 (the "2027 Notes")	750	3.80%
Senior unsecured notes due 2029 (the "2029 Notes")	375	4.25%
2030 Notes	350	3.50%
2049 Notes	625	5.25%
	$ 2,100	

The issue, maturity and interest payment dates of the Notes are shown below:

Note	Issuance Date(s)	Maturity Date	Interest Payment Dates
2027 Notes	August 2017	September 15, 2027	March 15 and September 15
2029 Notes	May 2019	May 15, 2029	May 15 and November 15
2030 Notes	February 2020	May 30, 2030	May 30 and November 30
2049 Notes	May 2019 and February 2020	May 15, 2049	May 15 and November 15

In February 2020, we issued $350 million in aggregate principal amount at maturity of 2030 Notes and an additional $300 million in aggregate principal amount at maturity of 2049 Notes. The 2030 Notes have a stated coupon rate of 3.5% and were issued at 99.774% of par, resulting in a yield to maturity of 3.525%. The 2049 Notes have a stated coupon rate of 5.25% and were issued at 106.626% of par, resulting in a yield to maturity of 4.821%.

The net proceeds from the offering were $669 million after original issue discount. The proceeds were used to redeem the $650 million in aggregate principal amount of 2025 Notes at a redemption price equal to 102.625% of the principal amount of such 2025 Notes, plus accrued interest.

In connection with these transactions, we recognized a loss of $21 million on the extinguishment of debt and paid related issuance costs of $6 million.

The indentures governing the Notes contain certain investment-grade style restrictive covenants and customary events of default. As of October 3, 2020, we were in compliance with all covenants under the indentures governing the Notes.

For further information related to the Notes, including information on early redemption, covenants and events of default, see Note 8, "Debt," to the condensed consolidated financial statements included in this Report and Note 6, "Debt," to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2019.

Credit Agreement

Our Credit Agreement, dated August 8, 2017, consists of a $1.75 billion Revolving Credit Facility and a $250 million Term Loan Facility. In February 2020, we entered into an agreement to extend the maturity date of the Revolving Credit Facility by one year to August 8, 2024, and paid related issuance costs of $1 million. The maturity date of the Term Loan Facility remains August 8, 2022.

In March 2020, as a proactive measure in response to the COVID-19 pandemic, we borrowed $1.0 billion under the Revolving Credit Facility, which was repaid in full in September 2020.

As of October 3, 2020 and December 31, 2019, there were $225 million and $234 million of borrowings outstanding under the Term Loan Facility, respectively. During the first nine months of 2020, we made required principal payments of $9 million under the Term Loan Facility.

The Credit Agreement contains various financial and other covenants that require us to maintain a minimum leverage coverage ratio. As of October 3, 2020, we were in compliance with all covenants under the Credit Agreement. Although we expect to maintain compliance with all covenants, the impact of the COVID-19 pandemic may negatively affect our ability to comply with certain of these covenants. In the event that we are unable to maintain compliance with such covenants, we expect to obtain an amendment or waiver from our lenders, refinance the indebtedness subject to the covenants or take other mitigating actions prior to a potential breach.

For further information related to the Credit Agreement, including information on pricing, covenants and events of default, see Note 8, "Debt," to the condensed consolidated financial statements included in this Report and Note 6, "Debt," to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2019.

Accounts Receivable Factoring

During the second quarter of 2020, we entered into an uncommitted factoring arrangement which provides for aggregate purchases of specified customer accounts in North America. The factoring arrangement results in true sales of the factored receivables, which are excluded from amounts reported in the consolidated balance sheets when the receivables are factored in accordance with ASC 860, "Transfers and Servicing." There were no receivables factored during the first nine months of 2020. We cannot provide any assurances that the factoring arrangement will be available or utilized in the future.

Common Stock Share Repurchase Program

In March 2020, as a proactive measure in response to the COVID-19 pandemic, we suspended share repurchases under our share repurchase program. Share repurchases prior to the suspension are shown below (in millions except for shares and per share amounts):

Nine Months Ended October 3, 2020				As of October 3, 2020
Aggregate Repurchases	Cash paid for Repurchases	Number of Shares	Average Price per Share(1)	Remaining Purchase Authorization
$ 70	$ 70	641,149	$ 109.22	$ 1,430

(1) Excludes commissions

Since the first quarter of 2011, our Board of Directors has authorized $6.1 billion in share repurchases under our common stock share repurchase program. As of the end of the third quarter of 2020, we have repurchased, in aggregate, $4.7 billion of our outstanding common stock, at an average price of $90.07 per share, excluding commissions and related fees.

We may implement share repurchases through a variety of methods, including, but not limited to, open market purchases, accelerated stock repurchase programs and structured repurchase transactions. The extent to which we will repurchase our outstanding common stock and the timing of such repurchases will depend upon our financial condition, prevailing market conditions, alternative uses of capital and other factors (see "— Forward-Looking Statements").

For further information related to our common stock share repurchase program, see Note 15, "Comprehensive Income (Loss) and Equity," to the condensed consolidated financial statements included in this Report.

Dividends

In March 2020, as a proactive measure in response to the COVID-19 pandemic, we suspended our quarterly cash dividend. A summary of the first quarter 2020 dividend (prior to the suspension) is shown below:

Payment Date	Dividend Per Share	Declaration Date	Record Date
March 18, 2020	$ 0.77	February 6, 2020	February 28, 2020

Although we do expect to pay quarterly cash dividends at some point in the future, such payments are at the discretion of our Board of Directors and will depend upon our financial condition, results of operations, capital requirements, alternative uses of capital and other factors that our Board of Directors may consider in its discretion.

Market Risk Sensitivity

In the normal course of business, we are exposed to market risks associated with fluctuations in foreign exchange rates, interest rates and commodity prices. We manage a portion of these risks through the use of derivative financial instruments in accordance with our policies. We enter into all hedging transactions for periods consistent with the underlying exposures. We do not enter into derivative instruments for trading purposes.

Foreign Exchange

Operating results may be impacted by our buying, selling and financing in currencies other than the functional currency of our operating companies ("transactional exposure"). We may mitigate a portion of this risk by entering into forward foreign exchange, futures and option contracts. The foreign exchange contracts are executed with banks that we believe are creditworthy. Gains and losses related to foreign exchange contracts are deferred where appropriate and included in the measurement of the foreign currency transaction subject to the hedge. Gains and losses incurred related to foreign exchange contracts are generally offset by the direct effects of currency movements on the underlying transactions.

A summary of the notional amount and estimated aggregate fair value of our outstanding foreign exchange contracts is shown below (in millions):

	October 3, 2020	December 31, 2019
Notional amount (contract maturities < 24 months)	$ 2,954	$ 2,163
Fair value	(3)	50

Currently, our most significant foreign currency transactional exposures relate to the Mexican peso, various European currencies, the Chinese renminbi, the Thai baht, the Japanese yen, the Honduran lempira and the Brazilian real. A sensitivity analysis of our net transactional exposure is shown below (in millions):

		Potential Earnings Benefit (Adverse Earnings Impact)	
	Hypothetical Strengthening % (1)	October 3, 2020	December 31, 2019
U.S. dollar	10%	$ 26	$ (16)
Euro	10%	(4)	19

(1) Relative to all other currencies to which it is exposed for a twelve-month period

A sensitivity analysis related to the aggregate fair value of our outstanding foreign exchange contracts is shown below (in millions):

		Estimated Change in Fair Value	
	Hypothetical Change % (2)	October 3, 2020	December 31, 2019
U.S. dollar	10%	$ 63	$ 50
Euro	10%	62	69

(2) Relative to all other currencies to which it is exposed for a twelve-month period

There are certain shortcomings inherent in the sensitivity analyses above. The analyses assume that all currencies would uniformly strengthen or weaken relative to the U.S. dollar or Euro. In reality, some currencies may strengthen while others may weaken, causing the earnings impact to increase or decrease depending on the currency and the direction of the rate movement.

In addition to the transactional exposure described above, our operating results are impacted by the translation of our foreign operating income into U.S. dollars ("translational exposure"). In 2019, net sales outside of the United States accounted for 82% of our consolidated net sales, although certain non-U.S. sales are U.S. dollar denominated. We do not enter into foreign exchange contracts to mitigate our translational exposure.

Commodity Prices

Raw material, energy and commodity costs can be volatile, reflecting changes in supply and demand and global trade and tariff policies. We have developed and implemented strategies to mitigate the impact of higher raw material, energy and commodity costs, such as the selective in-sourcing of components, the continued consolidation of our supply base, longer-term purchase commitments and the selective expansion of low-cost country sourcing and engineering, as well as value engineering and product benchmarking. However, these strategies, together with commercial negotiations with our customers and suppliers, typically offset only a portion of the adverse impact. Certain of these strategies also may limit our opportunities in a declining commodity cost environment. If these costs increase, it could have an adverse impact on our operating results in the foreseeable future. See "— Forward-Looking Statements" below and Item 1A, "Risk Factors — Increases in the costs and restrictions on the availability of raw materials, energy, commodities and product components could adversely affect our financial performance," in our Annual Report on Form 10-K for the year ended December 31, 2019.

We have commodity price risk with respect to purchases of certain raw materials, including steel, copper, diesel fuel, chemicals, resins and leather. Our main cost exposures relate to steel, copper and leather. The majority of the steel used in our products is comprised of fabricated components that are integrated into a seat system, such as seat frames, recliner mechanisms, seat tracks and other mechanical components. Therefore, our exposure to changes in steel prices is primarily indirect, through these purchased components. Approximately 91% of our copper purchases and a significant portion of our leather purchases are subject to price index agreements with our customers and suppliers.

For further information related to the financial instruments described above, see Note 18, "Financial Instruments," to the condensed consolidated financial statements included in this Report.

OTHER MATTERS

Legal and Environmental Matters

We are involved from time to time in various legal proceedings and claims, including, without limitation, commercial and contractual disputes, product liability claims and environmental and other matters. As of October 3, 2020, we had recorded reserves for pending legal disputes, including commercial disputes and other matters, of $16 million. In addition, as of October 3, 2020, we had recorded reserves for product liability claims and environmental matters of $45 million and $9 million, respectively. Although these reserves were determined in accordance with GAAP, the ultimate outcomes of these matters are inherently uncertain, and actual results may differ significantly from current estimates. For a description of risks related to various legal proceedings and claims, see Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2019. For a more complete description of our outstanding material legal proceedings, see Note 16, "Legal and Other Contingencies," to the condensed consolidated financial statements included in this Report.

Significant Accounting Policies and Critical Accounting Estimates

Certain of our accounting policies require management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on our historical experience, the terms of existing contracts, our evaluation of trends in the industry, information provided by our customers and suppliers and information available from other outside sources, as appropriate. However, these estimates and assumptions are subject to an inherent degree of uncertainty. As a result, actual results in these areas may differ significantly from our estimates. For a discussion of our significant accounting policies and critical accounting estimates, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Accounting Policies and Critical Accounting Estimates," and Note 2, "Summary of Significant Accounting Policies," to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2019. There have been no significant changes in our significant accounting policies or critical accounting estimates during the first nine months of 2020, with the exception of credit losses. See Note 18, "Financial Instruments — Accounts Receivable," to the condensed consolidated financial statements included in this Report.

Recently Issued Accounting Pronouncements

For information on the impact of recently issued accounting pronouncements, see Note 19, "Accounting Pronouncements," to the condensed consolidated financial statements included in this Report.

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by us or on our behalf. 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. We 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 Report or in any other public statements which address operating performance, events or developments that we expect or anticipate 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 us. 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 we operate, including changes in interest rates or currency exchange rates;
- the impact of the COVID-19 pandemic on our business and the global economy;
- changes in actual industry vehicle production levels from our 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 we are a significant supplier;
- the outcome of customer negotiations and the impact of customer-imposed price reductions;
- the cost and availability of raw materials, energy, commodities and product components and our ability to mitigate such costs;

- disruptions in relationships with our suppliers;
- the financial condition of and adverse developments affecting our customers and suppliers;
- risks associated with conducting business in foreign countries;
- currency controls and the ability to economically hedge currencies;
- 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;
- competitive conditions impacting us and our key customers and suppliers;
- labor disputes involving us or our significant customers or suppliers or that otherwise affect us;
- the operational and financial success of our joint ventures;
- the impact and timing of program launch costs and our management of new program launches;
- limitations imposed by our existing indebtedness and our ability to access capital markets on commercially reasonable terms;
- changes affecting the availability of LIBOR;
- changes in discount rates and the actual return on pension assets;
- impairment charges initiated by adverse industry or market developments;
- our ability to execute our strategic objectives;
- disruptions to our information technology systems, or those of our customers or suppliers, including those related to cybersecurity;
- increases in our warranty, product liability or recall costs;
- the outcome of legal or regulatory proceedings to which we are or may become a party;
- the impact of pending legislation and regulations or changes in existing federal, state, local or foreign laws or regulations;
- the impact of regulations on our foreign operations;
- costs associated with compliance with environmental laws and regulations;
- developments or assertions by or against us relating to intellectual property rights;
- the impact of potential changes in tax and trade policies in the United States and related actions by countries in which we do business;
- the anticipated changes in economic and other relationships between the United Kingdom and the European Union; and
- other risks described in Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2019, as supplemented and updated by Part II — Item 1A, "Risk Factors," in this Report, and our other Securities and Exchange Commission ("SEC") filings.

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

ITEM 4 — CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

The Company has evaluated, under the supervision and with the participation of the Company’s management, including the Company’s President and Chief Executive Officer along with the Company’s Senior Vice President and Chief Financial Officer, the effectiveness of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Report. The Company’s disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. Based on the evaluation described above, the Company’s President and Chief Executive Officer along with the Company’s Senior Vice President and Chief Financial Officer have concluded that the Company’s disclosure controls and procedures were effective to provide reasonable assurance that the desired control objectives were achieved as of the end of the period covered by this Report.

(b) Changes in Internal Control over Financial Reporting

There was no change in the Company’s internal control over financial reporting that occurred during the fiscal quarter ended October 3, 2020, that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1 — LEGAL PROCEEDINGS

We are involved from time to time in various legal proceedings and claims, including, without limitation, commercial or contractual disputes, product liability claims and environmental and other matters. For a description of risks related to various legal proceedings and claims, see Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2019. For a description of our outstanding material legal proceedings, see Note 16, "Legal and Other Contingencies," to the condensed consolidated financial statements included in this Report.

ITEM 1A — RISK FACTORS

There have been no material changes from the risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019, except for the addition of the risk factor set forth below:

- **Pandemics or disease outbreaks, such as COVID-19, have disrupted, and may continue to disrupt, our business, which could adversely affect our financial performance.**

  Pandemics or disease outbreaks, such as COVID-19, have disrupted, and may continue to disrupt, the global economy. The COVID-19 pandemic has led to a dramatic reduction in economic activity worldwide. International, federal, state and local public health and governmental authorities have taken extraordinary actions to contain and combat the outbreak and spread of COVID-19 throughout most regions of the world, including travel bans, quarantines, "stay-at-home" orders and similar mandates that have caused many individuals to substantially restrict their daily activities and many businesses to curtail or cease normal operations.

  The automotive industry has been particularly negatively impacted by the evolving situation with a sudden and sharp decline in consumer demand and automotive manufacturers suspending or severely limiting automobile production globally. We have experienced, and may continue to experience, reductions in orders from our customers globally, which in turn has adversely affected, and may continue to affect, our financial performance. This reduction in orders may be further exacerbated by the global economic downturn resulting from the pandemic, which could decrease consumer demand for vehicles or result in the financial distress of one or more of our customers or suppliers. As described in more detail under "Our industry is cyclical and a decline in the production levels of our major customers, particularly with respect to models for which we are a significant supplier, or the financial distress of one or more of our major customers could adversely affect our financial performance" and "Adverse developments affecting or the financial distress of one or more of our suppliers could adversely affect our financial performance" in Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2019, decreases in consumer demand for automotive vehicles, declines in the production levels of our major customers, financial distress of one or more of our major customers or suppliers or other adverse developments affecting one or more of our suppliers, could adversely affect our financial performance. In addition, if COVID-19 were to affect a significant amount of the workforce employed or operating at our facilities, we could experience delays or the inability to produce and deliver products to our customers on a timely basis.

  Unprecedented industry disruptions related to the COVID-19 pandemic impacted operations in every region of the world. Our operations in China were impacted first, with most plants in the country closed for several weeks during the first quarter of 2020, resulting in significant decreases in vehicle production. Beginning in mid-March 2020, our operations in Europe, North America, South America and Asia (outside of China) were impacted, with virtually all of our plants closed at the end of the first quarter and closures continuing throughout April and, in most cases, a portion of May. As described in more detail under "Our substantial international operations make us vulnerable to risks associated with doing business in foreign countries" in Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2019, our substantial international operations make us vulnerable to risks associated with doing business in foreign countries.

  While all of our global manufacturing plants have resumed production, we may experience unexpected delays or obstacles, such as higher employee absenteeism, supply chain disruptions or government mandates, that may hamper our ability to fully resume operations. Further, we may not be able to operate at optimal levels of efficiency given new work rules and procedures that will need to be implemented to protect our employees. The suspension of production at our manufacturing facilities, or difficulties or inefficiencies in resuming production, would likely adversely impact our future results of operations, financial condition and liquidity, and that impact may be material.

As described in more detail under "Our existing indebtedness and the inability to access capital markets could restrict our business activities or our ability to execute our strategic objectives or adversely affect our financial performance" in Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2019, the volatility created by COVID-19 could adversely affect our access to the debt and capital markets. In addition, our ability to continue implementing important strategic initiatives and capital expenditures may be reduced as we devote time and other resources to responding to the impacts of the COVID-19 pandemic.

COVID-19 continues to spread globally and the extent to which our financial performance will be adversely affected will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the pandemic, its severity, the effectiveness of actions to contain the virus or treat its impact and how quickly and to what extent normal economic and operating conditions can resume. Even after the COVID-19 pandemic has subsided, we may continue to experience adverse impacts on our business and financial performance as a result of its global economic impact, including a recession that has occurred or may occur in the future, which will likely result in lower demand for new vehicles for a period of time, as new vehicle sales are typically correlated with positive consumer confidence and low unemployment.

The COVID-19 pandemic may also exacerbate other risks disclosed in Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2019, including, but not limited to, our competitiveness, demand for our products and shifting consumer preferences.

ITEM 2 — UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

As discussed in Part I — Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Capitalization — Common Stock Share Repurchase Program," and Note 15, "Comprehensive Income (Loss) and Equity," to the condensed consolidated financial statements included in this Report, in March 2020, as a proactive measure in response to the COVID-19 pandemic, we suspended share repurchases under our share repurchase program. We have a remaining repurchase authorization of $1,430.0 million under our common stock share repurchase program.

As shown below, there were no shares of our common stock repurchased during the quarter ended October 3, 2020.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program (in millions)
July 5, 2020 through August 1, 2020	-	-	-	$ 1,430.0
August 2, 2020 through August 29, 2020	-	-	-	1,430.0
August 30, 2020 through October 3, 2020	-	-	-	1,430.0
Total	-	-	-	$ 1,430.0

Table of Contents

ITEM 6 — EXHIBITS

Exhibit Index

	Exhibit Number	Exhibit Name
*	31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer.
*	31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer.
*	32.1	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*	32.2	Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**	101.INS	XBRL Instance Document
***	101.SCH	XBRL Taxonomy Extension Schema Document.
***	101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
***	101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
***	101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
***	101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
**	104	Cover Page Interactive Data File

*	Filed herewith.
**	The XBRL Instance Document and Cover Page Interactive Data File do not appear in the Interactive Data File because their XBRL tags are embedded within the Inline XBRL document.
***	Submitted electronically with the Report.

LEAR CORPORATION

SIGNATURES

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

LEAR CORPORATION

Dated: October 30, 2020	By:	/s/ Raymond E. Scott
		Raymond E. Scott President and Chief Executive Officer
	By:	/s/ Jason M. Cardew
		Jason M. Cardew Senior Vice President and Chief Financial Officer

Exhibit 31.1

CERTIFICATION

I, Raymond E. Scott, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lear Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2020

By: /s/ Raymond E. Scott

Raymond E. Scott

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Jason M. Cardew, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lear Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2020

By: /s/ Jason M. Cardew
Jason M. Cardew
Senior Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Lear Corporation (the "Company") on Form 10-Q for the period ended October 3, 2020, as filed with the Securities and Exchange Commission (the "Report"), the undersigned, as the Chief Executive Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	October 30, 2020	Signed:	/s/ Raymond E. Scott
			Raymond E. Scott
			Chief Executive Officer

This written statement accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Lear Corporation (the "Company") on Form 10-Q for the period ended October 3, 2020, as filed with the Securities and Exchange Commission (the "Report"), the undersigned, as the Chief Financial Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2020

Signed: /s/ Jason M. Cardew

Jason M. Cardew

Chief Financial Officer

This written statement accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.