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 September 30, 2023.

☐ **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 x 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 x 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	x	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 x

As of October 23, 2023, the number of shares outstanding of the registrant's common stock was 58,259,871 shares.

LEAR CORPORATION

FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2023

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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, 2022.

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)

	September 30, 2023[1]	December 31, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 979.7	$ 1,114.9
Accounts receivable	4,041.2	3,451.9
Inventories	1,788.3	1,573.6
Other	928.5	853.7
Total current assets	7,737.7	6,994.1
LONG-TERM ASSETS:		
Property, plant and equipment, net	2,886.0	2,854.0
Goodwill	1,714.1	1,660.6
Other	2,275.9	2,254.3
Total long-term assets	6,876.0	6,768.9
Total assets	$ 14,613.7	$ 13,763.0
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings	$ 26.7	$ 9.9
Accounts payable and drafts	3,556.5	3,206.1
Accrued liabilities	2,117.9	1,961.5
Current portion of long-term debt	0.3	10.8
Total current liabilities	5,701.4	5,188.3
LONG-TERM LIABILITIES:		
Long-term debt	2,742.1	2,591.2
Other	1,186.9	1,153.2
Total long-term liabilities	3,929.0	3,744.4
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; 64,571,405 shares issued as of September 30, 2023 and December 31, 2022	0.6	0.6
Additional paid-in capital	1,037.2	1,023.1
Common stock held in treasury, 6,315,867 and 5,493,211 shares as of September 30, 2023 and December 31, 2022, respectively, at cost	(869.8)	(753.9)
Retained earnings	5,519.3	5,214.1
Accumulated other comprehensive loss	(828.5)	(805.1)
Lear Corporation stockholders' equity	4,858.8	4,678.8
Noncontrolling interests	124.5	151.5
Equity	4,983.3	4,830.3
Total liabilities and equity	$ 14,613.7	$ 13,763.0

(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	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Net sales	$ 5,781.0	$ 5,241.2	$ 17,625.7	$ 15,520.6
Cost of sales	5,362.8	4,864.3	16,320.5	14,482.3
Selling, general and administrative expenses	182.5	163.9	542.1	512.4
Amortization of intangible assets	15.5	15.2	47.4	55.5
Interest expense	25.7	24.8	76.1	74.6
Other expense, net	5.8	18.1	39.0	59.8
Consolidated income before provision for income taxes and equity in net income of affiliates	188.7	154.9	600.6	336.0
Provision for income taxes	47.0	41.7	134.1	85.6
Equity in net income of affiliates	(10.4)	(6.0)	(36.2)	(21.0)
Consolidated net income	152.1	119.2	502.7	271.4
Less: Net income attributable to noncontrolling interests	19.2	26.9	57.5	61.2
Net income attributable to Lear	**$ 132.9**	**$ 92.3**	**$ 445.2**	**$ 210.2**
Basic net income per share attributable to Lear (Note 15)	**$ 2.26**	**$ 1.55**	**$ 7.54**	**$ 3.52**
Diluted net income per share attributable to Lear (Note 15)	**$ 2.25**	**$ 1.54**	**$ 7.50**	**$ 3.50**
Cash dividends declared per share	**$ 0.77**	**$ 0.77**	**$ 2.31**	**$ 2.31**
Average common shares outstanding	**58,766,586**	**59,551,765**	**59,072,189**	**59,794,788**
Average diluted shares outstanding	**59,075,638**	**59,785,860**	**59,333,590**	**60,031,484**
Consolidated comprehensive income (loss) (Condensed Consolidated Statements of Equity)	$ 4.6	$ (57.2)	$ 472.8	$ (96.0)
Less: Comprehensive income attributable to noncontrolling interests	18.5	19.3	51.0	46.6
Comprehensive income (loss) attributable to Lear	$ (13.9)	$ (76.5)	$ 421.8	$ (142.6)

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 September 30, 2023					
	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 1, 2023	$ 0.6	$ 1,027.1	$ (797.8)	$ 5,432.3	$ (681.7)	$ 4,980.5
Comprehensive income (loss):						
Net income	—	—	—	132.9	—	132.9
Other comprehensive loss	—	—	—	—	(146.8)	(146.8)
Total comprehensive income (loss)	—	—	—	132.9	(146.8)	(13.9)
Stock-based compensation	—	16.1	—	—	—	16.1
Net issuance of 27,590 shares held in treasury in settlement of stock-based compensation	—	(6.0)	3.7	0.1	—	(2.2)
Repurchase of 521,552 shares of common stock at average price of $143.57 per share	—	—	(75.7)	—	—	(75.7)
Dividends declared to Lear Corporation stockholders	—	—	—	(46.0)	—	(46.0)
Dividends declared to noncontrolling interest holders	—	—	—	—	—	—
Balance at September 30, 2023	$ 0.6	$ 1,037.2	$ (869.8)	$ 5,519.3	$ (828.5)	$ 4,858.8

	Nine Months Ended September 30, 2023					
	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, 2023	$ 0.6	$ 1,023.1	$ (753.9)	$ 5,214.1	$ (805.1)	$ 4,678.8
Comprehensive income (loss):						
Net income	—	—	—	445.2	—	445.2
Other comprehensive loss	—	—	—	—	(23.4)	(23.4)
Total comprehensive income (loss)	—	—	—	445.2	(23.4)	421.8
Stock-based compensation	—	51.2	—	—	—	51.2
Net issuance of 168,428 shares held in treasury in settlement of stock-based compensation	—	(37.1)	23.3	(1.0)	—	(14.8)
Repurchase of 991,084 shares of common stock at average price of $139.22 per share	—	—	(139.2)	—	—	(139.2)
Dividends declared to Lear Corporation stockholders	—	—	—	(139.0)	—	(139.0)
Dividends declared to noncontrolling interest holders	—	—	—	—	—	—
Balance at September 30, 2023	$ 0.6	$ 1,037.2	$ (869.8)	$ 5,519.3	$ (828.5)	$ 4,858.8

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 September 30, 2023		
	Lear Corporation Stockholders' Equity	Non-controlling Interests	Equity
Balance at July 1, 2023	$ 4,980.5	$ 110.8	$ 5,091.3
Comprehensive income (loss):			
Net income	132.9	19.2	152.1
Other comprehensive loss	(146.8)	(0.7)	(147.5)
Total comprehensive income (loss)	(13.9)	18.5	4.6
Stock-based compensation	16.1	—	16.1
Net issuance of 27,590 shares held in treasury in settlement of stock-based compensation	(2.2)	—	(2.2)
Repurchase of 521,552 shares of common stock at average price of $143.57 per share	(75.7)	—	(75.7)
Dividends declared to Lear Corporation stockholders	(46.0)	—	(46.0)
Dividends declared to noncontrolling interest holders	—	(4.8)	(4.8)
Balance at September 30, 2023	$ 4,858.8	$ 124.5	$ 4,983.3

	Nine Months Ended September 30, 2023		
	Lear Corporation Stockholders' Equity	Non-controlling Interests	Equity
Balance at January 1, 2023	$ 4,678.8	$ 151.5	$ 4,830.3
Comprehensive income (loss):			
Net income	445.2	57.5	502.7
Other comprehensive loss	(23.4)	(6.5)	(29.9)
Total comprehensive income (loss)	421.8	51.0	472.8
Stock-based compensation	51.2	—	51.2
Net issuance of 168,428 shares held in treasury in settlement of stock-based compensation	(14.8)	—	(14.8)
Repurchase of 991,084 shares of common stock at average price of $139.22 per share	(139.2)	—	(139.2)
Dividends declared to Lear Corporation stockholders	(139.0)	—	(139.0)
Dividends declared to noncontrolling interest holders	—	(78.0)	(78.0)
Balance at September 30, 2023	$ 4,858.8	$ 124.5	$ 4,983.3

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 1, 2022					
	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 2, 2022	$ 0.6	$ 1,008.0	$ (710.9)	$ 5,097.1	$ (954.2)	$ 4,440.6
Comprehensive income (loss):						
Net income	—	—	—	92.3	—	92.3
Other comprehensive loss	—	—	—	—	(168.8)	(168.8)
Total comprehensive income (loss)	—	—	—	92.3	(168.8)	(76.5)
Stock-based compensation	—	12.8	—	—	—	12.8
Net issuance of 27,990 shares held in treasury in settlement of stock-based compensation	—	(6.0)	3.8	—	—	(2.2)
Repurchase of 187,192 shares of common stock at average price of $133.65 per share	—	—	(25.0)	—	—	(25.0)
Dividends declared to Lear Corporation stockholders	—	—	—	(46.4)	—	(46.4)
Dividends declared to noncontrolling interest holders	—	—	—	—	—	—
Balance at October 1, 2022	$ 0.6	$ 1,014.8	$ (732.1)	$ 5,143.0	$ (1,123.0)	$ 4,303.3

	Nine Months Ended October 1, 2022					
	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, 2022	$ 0.6	$ 1,019.4	$ (679.2)	$ 5,072.8	$ (770.2)	$ 4,643.4
Comprehensive income (loss):						
Net income	—	—	—	210.2	—	210.2
Other comprehensive loss	—	—	—	—	(352.8)	(352.8)
Total comprehensive income (loss)	—	—	—	210.2	(352.8)	(142.6)
Stock-based compensation	—	38.1	—	—	—	38.1
Net issuance of 190,862 shares held in treasury in settlement of stock-based compensation	—	(42.7)	22.3	(0.2)	—	(20.6)
Repurchase of 567,412 shares of common stock at average price of $132.49 per share	—	—	(75.2)	—	—	(75.2)
Dividends declared to Lear Corporation stockholders	—	—	—	(139.8)	—	(139.8)
Dividends declared to noncontrolling interest holders	—	—	—	—	—	—
Change in noncontrolling interests	—	—	—	—	—	—
Balance at October 1, 2022	$ 0.6	$ 1,014.8	$ (732.1)	$ 5,143.0	$ (1,123.0)	$ 4,303.3

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 1, 2022		
	Lear Corporation Stockholders' Equity	Non-controlling Interests	Equity
Balance at July 2, 2022	$ 4,440.6	$ 107.3	$ 4,547.9
Comprehensive income (loss):			
Net income	92.3	26.9	119.2
Other comprehensive loss	(168.8)	(7.6)	(176.4)
Total comprehensive income (loss)	(76.5)	19.3	(57.2)
Stock-based compensation	12.8	—	12.8
Net issuance of 27,990 shares held in treasury in settlement of stock-based compensation	(2.2)	—	(2.2)
Repurchase of 187,192 shares of common stock at average price of $133.65 per share	(25.0)	—	(25.0)
Dividends declared to Lear Corporation stockholders	(46.4)	—	(46.4)
Dividends declared to noncontrolling interest holders	—	(2.0)	(2.0)
Balance at October 1, 2022	$ 4,303.3	$ 124.6	$ 4,427.9

	Nine Months Ended October 1, 2022		
	Lear Corporation Stockholders' Equity	Non-controlling Interests	Equity
Balance at January 1, 2022	$ 4,643.4	$ 165.0	$ 4,808.4
Comprehensive income (loss):			
Net income	210.2	61.2	271.4
Other comprehensive loss	(352.8)	(14.6)	(367.4)
Total comprehensive income (loss)	(142.6)	46.6	(96.0)
Stock-based compensation	38.1	—	38.1
Net issuance of 190,862 shares held in treasury in settlement of stock-based compensation	(20.6)	—	(20.6)
Repurchase of 567,412 shares of common stock at average price of $132.49 per share	(75.2)	—	(75.2)
Dividends declared to Lear Corporation stockholders	(139.8)	—	(139.8)
Dividends declared to noncontrolling interest holders	—	(87.6)	(87.6)
Change in noncontrolling interests	—	0.6	0.6
Balance at October 1, 2022	$ 4,303.3	$ 124.6	$ 4,427.9

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	
	September 30, 2023	October 1, 2022
Cash Flows from Operating Activities:		
Consolidated net income	$ 502.7	$ 271.4
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	450.3	434.3
Net change in recoverable customer engineering, development and tooling	(65.3)	(84.1)
Net change in working capital items (see below)	(254.0)	(214.9)
Other, net	45.9	77.5
Net cash provided by operating activities	679.6	484.2
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(433.3)	(442.9)
Acquisitions, net of cash acquired	(174.5)	(184.2)
Other, net	4.7	10.4
Net cash used in investing activities	(603.1)	(616.7)
Cash Flows from Financing Activities:		
Short-term borrowings, net	17.6	7.6
Term loan borrowings	150.0	—
Repurchases of common stock	(138.0)	(75.2)
Dividends paid to Lear Corporation stockholders	(137.3)	(139.4)
Dividends paid to noncontrolling interests	(73.8)	(84.6)
Other, net	(26.3)	(21.6)
Net cash used in financing activities	(207.8)	(313.2)
Effect of foreign currency translation	(2.9)	(31.3)
Net Change in Cash, Cash Equivalents and Restricted Cash	(134.2)	(477.0)
Cash, Cash Equivalents and Restricted Cash as of Beginning of Period	1,117.4	1,321.3
Cash, Cash Equivalents and Restricted Cash as of End of Period	$ 983.2	$ 844.3
Changes in Working Capital Items:		
Accounts receivable	$ (614.7)	$ (796.7)
Inventories	(185.4)	(111.7)
Accounts payable (including $15.4 million of cash paid in 2023 in conjunction with the acquisition of IGB to settle pre-existing accounts payable)	370.9	570.9
Accrued liabilities and other	175.2	122.6
Net change in working capital items	$ (254.0)	$ (214.9)
Supplementary Disclosure:		
Cash paid for interest	$ 78.5	$ 64.8
Cash paid for income taxes, net of refunds received	$ 165.8	$ 156.6

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

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) Current Operating Environment

Since 2020, the automotive industry has experienced a decline in global production volumes. Although industry production has recovered modestly and is expected to return to 2019 pre-pandemic levels in 2023, industry production remains below 2017 peak levels. Further, the global economy, as well as the automotive industry, have been influenced directly and indirectly by macroeconomic events resulting in unfavorable conditions, including shortages of semiconductor chips and other components, elevated inflation levels, higher interest rates, and labor and energy shortages in certain markets. Beginning in the third quarter of 2023 and continuing into the fourth quarter, the automotive industry has also been impacted by labor strikes and related disruptions at certain of the Company's customers' facilities in the United States. These factors, amongst others, continue to impact consumer demand as well as the ability of automotive manufactures to produce vehicles to meet demand.

The accompanying condensed consolidated financial statements reflect estimates and assumptions made by management as of September 30, 2023, and for the nine months then ended. Such estimates and assumptions affect, among other things, the Company's goodwill; long-lived asset valuations; inventory valuations; valuations of deferred income taxes and income tax contingencies; and credit losses related to the Company's financial instruments. Events and circumstances arising after September 30, 2023, will be reflected in management's estimates and assumptions in future periods.

(3) Acquisitions

I.G. Bauerhin

On April 26, 2023, the Company completed the acquisition of I.G. Bauerhin ("IGB"), a privately held supplier of automotive seat heating, ventilation, active cooling, steering wheel heating, seat sensors and electronic control modules, headquartered in Grundau-Rothenbergen, Germany. IGB has more than 4,600 employees at nine manufacturing plants in seven countries. The acquisition of IGB furthers the Company's comprehensive strategy to develop and integrate a complete portfolio of thermal comfort systems for automotive seating.

The acquisition of IGB was accounted for as a business combination, and accordingly, the assets acquired and liabilities assumed are included in the accompanying condensed consolidated balance sheet as of September 30, 2023. The operating results and cash flows of IGB are included in the accompanying condensed consolidated financial statements from the date of acquisition in the Company's Seating segment.

The preliminary purchase price and related allocation are shown below (in millions):

	July 1, 2023	Adjustments	September 30, 2023
Preliminary purchase price, net of acquired cash	$ 174.5	$ —	$ 174.5
Property, plant and equipment	49.7	(1.3)	48.4
Other assets purchased and liabilities assumed, net	37.9	(2.2)	35.7
Goodwill	69.9	5.1	75.0
Intangible assets	17.0	(1.6)	15.4
Preliminary purchase price allocation	$ 174.5	$ —	$ 174.5

Goodwill recognized is primarily attributable to the assembled workforce and expected synergies related to future growth.

Intangible assets consist of amounts recognized for the fair value of developed technology and customer-based assets which were both based on an independent appraisal. Developed technology assets have a weighted average useful life of approximately nine years. Customer-based assets include IGB's established relationships with its customers and the ability of these customers to generate future economic profits for the Company and have a weighted average useful life of approximately thirteen years.

The purchase price and related allocation are preliminary and may be revised as a result of further adjustments made to the purchase price, additional information obtained regarding liabilities assumed, including, but not limited to, certain tax attributes and contingent liabilities, and revisions of provisional estimates of fair values resulting from the completion of independent appraisals and valuations of property, plant and equipment and intangible assets.

The Company incurred transaction costs of $0.6 million and $1.2 million in the first nine months of 2023 and 2022, respectively. These costs were expensed as incurred and are recorded in selling, general and administrative expenses.

The pro-forma effects of this acquisition do not materially impact the Company's reported results for any period presented.

For further information related to acquired assets measured at fair value, see Note 19, "Financial Instruments."

Kongsberg ICS

On February 28, 2022, the Company completed the acquisition of substantially all of Kongsberg Automotive's Interior Comfort Systems business unit ("Kongsberg ICS"). The acquisition of Kongsberg ICS was accounted for as a business combination, and accordingly, the assets acquired and liabilities assumed are included in the accompanying condensed consolidated balance sheets. The operating results and cash flows of Kongsberg ICS are included in the condensed consolidated financial statements from the date of acquisition in the Company's Seating segment. For further information related to the acquisition of Kongsberg ICS, see Note 4, "Acquisition of Kongsberg ICS," to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

(4) 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 when restructuring actions are approved, communicated and/or implemented.

A summary of the changes in the Company's restructuring reserves is shown below (in millions):

Balance at January 1, 2023	$	82.9
Provision for employee termination benefits		73.1
Payments, utilizations and foreign currency		(50.8)
Balance at September 30, 2023	$	105.2

Charges recorded in connection with the Company's restructuring actions are shown below (in millions):

	Nine Months Ended	
	September 30, 2023	October 1, 2022
Employee termination benefits	$ 73.1	$ 69.1
Asset impairments		
Property, plant and equipment	2.8	1.7
Right-of-use assets	9.6	6.4
Contract termination costs	2.5	2.4
Other related costs	8.3	9.4
	$ 96.3	$ 89.0

Restructuring charges by income statement line item are shown below (in millions):

	Nine Months Ended	
	September 30, 2023	October 1, 2022
Cost of sales	$ 85.9	$ 69.8
Selling, general and administrative expenses	10.4	19.2
	$ 96.3	$ 89.0

Restructuring charges by operating segment are shown below (in millions):

	Three Months Ended		Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Seating	$ 28.5	$ 12.0	$ 65.4	$ 46.8
E-Systems	19.7	5.2	29.7	37.1
Other	—	0.1	1.2	5.1
	$ 48.2	$ 17.3	$ 96.3	$ 89.0

The Company expects to incur approximately $20 million and approximately $3 million of additional restructuring costs in its Seating and E-Systems segments, respectively, related to activities initiated as of September 30, 2023, and expects that the components of such costs will be consistent with its historical experience.

(5) 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):

	September 30, 2023	December 31, 2022
Raw materials	$ 1,290.4	$ 1,216.8
Work-in-process	145.8	126.6
Finished goods	512.8	391.9
Reserves	(160.7)	(161.7)
Inventories	$ 1,788.3	$ 1,573.6

(6) 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 2023 and 2022, the Company capitalized $215.5 million and $181.4 million, respectively, of pre-production E&D costs for which reimbursement is contractually guaranteed by the customer. During the first nine months of 2023 and 2022, the Company also capitalized $121.3 million and $128.0 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 2023 and 2022, the Company collected $273.5 million and $245.5 million, respectively, of cash related to E&D and tooling costs.

The classification of recoverable customer E&D and tooling costs related to long-term supply agreements included in the accompanying condensed consolidated balance sheets is shown below (in millions):

	September 30, 2023	December 31, 2022
Current	$ 235.7	$ 175.7
Long-term	161.2	161.3
Recoverable customer E&D and tooling	$ 396.9	$ 337.0

(7) Long-Lived 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):

	September 30, 2023	December 31, 2022
Land	$ 106.3	$ 104.6
Buildings and improvements	899.8	868.6
Machinery and equipment	5,117.2	4,871.5
Construction in progress	407.3	378.0
Total property, plant and equipment	6,530.6	6,222.7
Less – accumulated depreciation	(3,644.6)	(3,368.7)
Property, plant and equipment, net	$ 2,886.0	$ 2,854.0

Depreciation expense was $136.4 million and $124.1 million in the three months ended September 30, 2023 and October 1, 2022, respectively, and $402.9 million and $378.8 million in the nine months ended September 30, 2023 and October 1, 2022, 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. An impairment loss is measured as the difference between the net book value and the fair value of the long-lived asset. Fair value estimates of long-lived assets are based on independent appraisals or discounted cash flows, giving consideration to the highest and best use of the assets. Key assumptions used in the appraisals are based on a combination of market and cost approaches, as appropriate.

In the first nine months of 2023 and 2022, the Company recognized property, plant and equipment impairment charges of $2.8 million and $1.7 million, respectively, in conjunction with its restructuring actions (Note 4, "Restructuring"). In the first nine months of 2023 and 2022, the Company recognized additional property, plant and equipment impairment charges of $2.6 million and $5.7 million, respectively. The impairment charges are included in cost of sales in the accompanying condensed consolidated statements of comprehensive income (loss).

Definite-Lived Intangible Assets

In the nine months ended September 30, 2023, the Company recognized impairment charges of $1.9 million related to certain intangible assets of its E-Systems segment resulting from a change in the intended use of such assets. The impairment charges are included in amortization of intangible assets in the accompanying condensed consolidated statement of comprehensive income (loss).

(8) Goodwill and Indefinite-Lived Intangible Assets

Goodwill

A summary of the changes in the carrying amount of goodwill, by operating segment, in the nine months ended September 30, 2023, is shown below (in millions):

	Seating	E-Systems	Total
Balance at January 1, 2023	$ 1,261.1	$ 399.5	$ 1,660.6
Acquisition	75.0	—	75.0
Foreign currency translation and other	(15.4)	(6.1)	(21.5)
Balance at September 30, 2023	$ 1,320.7	$ 393.4	$ 1,714.1

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 measured and recognized. The annual goodwill impairment assessment is completed as of the first day of the Company's fourth quarter.

There was no impairment of goodwill in the first nine months of 2023 and 2022. The Company will, however, continue to assess the impact of significant industry and other events on its recorded goodwill.

For further information related to the acquisition, see Note 3, "Acquisitions."

Indefinite-Lived Intangible Assets

In the nine months ended October 1, 2022, the Company recognized an impairment charge of $8.9 million related to an intangible asset of its E-Systems segment resulting from a change in the intended use of such asset. The impairment charge is included in amortization of intangible assets in the accompanying condensed consolidated statement of comprehensive income (loss).

(9) Debt

Short-Term Borrowings

The Company utilizes uncommitted lines of credit as needed for its short-term working capital fluctuations. As of September 30, 2023 and December 31, 2022, the Company had lines of credit from banks totaling $272.4 million and $298.2 million, respectively. As of September 30, 2023 and December 31, 2022, the Company had short-term debt balances outstanding related to draws on the lines of credit of $26.7 million and $9.9 million, respectively.

Long-Term 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):

	September 30, 2023				
Debt Instrument	**Long-Term Debt**	**Unamortized Debt Issuance Costs**	**Unamortized Original Issue Premium (Discount)**	**Long-Term Debt, Net**	**Weighted Average Interest Rate**
Delayed-Draw Term Loan Facility (the "Term Loan")	$ 150.0	$ (0.6)	$ —	$ 149.4	6.635%
3.8% Senior Notes due 2027 (the "2027 Notes")	550.0	(1.8)	(1.5)	546.7	3.885%
4.25% Senior Notes due 2029 (the "2029 Notes")	375.0	(1.7)	(0.7)	372.6	4.288%
3.5% Senior Notes due 2030 (the "2030 Notes")	350.0	(1.8)	(0.5)	347.7	3.525%
2.6% Senior Notes due 2032 (the "2032 Notes")	350.0	(2.6)	(0.6)	346.8	2.624%
5.25% Senior Notes due 2049 (the "2049 Notes")	625.0	(5.7)	12.8	632.1	5.103%
3.55% Senior Notes due 2052 (the "2052 Notes")	350.0	(3.7)	(0.5)	345.8	3.558%
Other	1.3	—	—	1.3	N/A
	$ 2,751.3	$ (17.9)	$ 9.0	$ 2,742.4	
Less — Current portion				(0.3)	
Long-term debt				$ 2,742.1	

	December 31, 2022				
Debt Instrument	Long-Term Debt	Unamortized Debt Issuance Costs	Unamortized Original Issue Premium (Discount)	Long-Term Debt, Net	Weighted Average Interest Rate
2027 Notes	$ 550.0	$ (2.1)	$ (1.8)	$ 546.1	3.885%
2029 Notes	375.0	(2.0)	(0.7)	372.3	4.288%
2030 Notes	350.0	(2.0)	(0.6)	347.4	3.525%
2032 Notes	350.0	(2.8)	(0.7)	346.5	2.624%
2049 Notes	625.0	(6.0)	13.2	632.2	5.103%
2052 Notes	350.0	(3.8)	(0.5)	345.7	3.558%
Other	11.8	—	—	11.8	N/A
	$ 2,611.8	$ (18.7)	$ 8.9	2,602.0	
Less — Current portion				(10.8)	
Long-term debt				$ 2,591.2	

Senior Notes

The issuance, maturity and interest payment dates of the Company's senior unsecured 2027 Notes, 2029 Notes, 2030 Notes, 2032 Notes, 2049 Notes and 2052 Notes (collectively, 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
2032 Notes	November 2021	January 15, 2032	January 15 and July 15
2049 Notes	May 2019 and February 2020	May 15, 2049	May 15 and November 15
2052 Notes	November 2021	January 15, 2052	January 15 and July 15

Subject to certain exceptions, the indentures governing the Notes contain certain 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 September 30, 2023, the Company was in compliance with all covenants under the indentures governing the Notes.

Credit Agreement

The Company's $2.0 billion amended and restated unsecured revolving credit agreement (the "Credit Agreement") expires on October 28, 2026. On June 14, 2023, the Company amended the Credit Agreement to implement the transition from the London Interbank Offered Rate to the Secured Overnight Financing Rate ("SOFR") in accordance with the existing terms of the Credit Agreement, adopting SOFR as the reference rate for certain U.S. dollar-denominated borrowings.

As of September 30, 2023 and December 31, 2022, there were no borrowings outstanding under the Credit Agreement.

Advances under the Credit Agreement generally bear interest based on (i) Term Benchmark, Central Bank Rate and Risk Free Rate ("RFR") (in each case, as defined in the Credit Agreement) or (ii) Alternate Base Rate ("ABR") and Canadian Prime Rate (in each case, as defined in the Credit Agreement). As of September 30, 2023, the ranges and rates are as follows:

	Term Benchmark, Central Bank Rate and RFR Loans			ABR and Canadian Prime Rate Loans		
	Minimum	Maximum	Rate as of September 30, 2023	Minimum	Maximum	Rate as of September 30, 2023
Credit Agreement	0.925 %	1.450 %	1.125 %	0.000 %	0.450 %	0.125 %

A facility fee, which ranges from 0.075% to 0.20% of the total amount committed under the Credit Agreement, is payable quarterly.

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 September 30, 2023, the Company was in compliance with all covenants under the Credit Agreement.

Term Loan

On May 1, 2023, the Company borrowed $150 million under its Term Loan to finance, in part, the acquisition of IGB (Note 3, "Acquisitions"). The Term Loan matures on May 1, 2026, three years after the funding date. Advances under the Term Loan generally bear interest based on the Daily or Term SOFR (as defined in the Term Loan agreement) plus a margin determined in accordance with a pricing grid that ranges from 1.00% to 1.525%.

The Term Loan contains the same covenants as the Credit Agreement. As of September 30, 2023, the Company was in compliance with all covenants under the Term Loan.

Other Long-Term Debt

As of September 30, 2023, other long-term debt, including the current portion, consists of amounts outstanding under finance lease agreements. As of December 31, 2022, other long-term debt, including the current portion, consists of amounts outstanding under an unsecured working capital loan and a finance lease agreement.

For further information related to the Company's debt, see Note 7, "Debt," to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

(10) Leases

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 sheets are shown below (in millions):

	September 30, 2023	December 31, 2022
Right-of-use assets under operating leases:		
Other long-term assets	$ 731.9	$ 701.8
Lease obligations under operating leases:		
Accrued liabilities	$ 149.2	$ 136.8
Other long-term liabilities	620.7	595.1
	$ 769.9	$ 731.9

Maturities of lease obligations as of September 30, 2023, are shown below (in millions):

	September 30, 2023
2023 [1]	$ 46.4
2024	170.5
2025	146.8
2026	123.7
2027	102.2
Thereafter	290.7
Total undiscounted cash flows	880.3
Less: Imputed interest	(110.4)
Lease obligations under operating leases	$ 769.9

[1] For the remaining three months

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

	Nine Months Ended	
	September 30, 2023	October 1, 2022
Non-cash activity:		
Right-of-use assets obtained in exchange for operating lease obligations	$ 152.4	$ 166.6
Operating cash flows:		
Cash paid related to operating lease obligations	$ 137.0	$ 121.5

In addition to the right-of-use assets obtained in exchange for operating lease obligations shown above, in the nine months ended September 30, 2023, the Company acquired $14.3 million of right-of-use assets and related lease obligations in conjunction with its acquisition of IGB (Note 3, "Acquisitions").

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

	Three Months Ended		Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Operating lease expense	$ 46.5	$ 40.5	$ 136.0	$ 122.8
Short-term lease expense	5.2	5.7	15.4	16.5
Variable lease expense	2.3	2.1	7.3	6.2
Total lease expense	$ 54.0	$ 48.3	$ 158.7	$ 145.5

In the nine months ended September 30, 2023 and October 1, 2022, the Company recognized impairment charges of $9.6 million and $6.4 million, respectively, related to its right-of-use assets in conjunction with its restructuring actions (see Note 4, "Restructuring"). In the three and nine months ended October 1, 2022, the Company recognized additional right-of-use asset impairment charges of $7.0 million related to its Russian operations. The impairment charges are included in cost of sales in the accompanying condensed consolidated statements of comprehensive income (loss).

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

	September 30, 2023
Weighted average remaining lease term	Seven years
Weighted average discount rate	3.9 %

The Company is party to finance lease agreements, which are not material to the accompanying condensed consolidated financial statements (Note 9, "Debt").

For further information related to the Company's leases, see Note 8, "Leases," to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

(11) Pension and Other Postretirement Benefit Plans

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

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			
	September 30, 2023		October 1, 2022		September 30, 2023		October 1, 2022	
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
Service cost	$ —	$ 0.8	$ —	$ 1.0	$ —	$ 2.4	$ —	$ 3.1
Interest cost	5.2	4.3	3.9	2.8	15.6	12.6	11.6	8.6
Expected return on plan assets	(5.0)	(4.1)	(6.0)	(4.3)	(15.2)	(12.2)	(17.9)	(13.1)
Amortization of actuarial loss	0.2	0.4	0.5	1.0	0.7	1.4	1.5	3.1
Settlement (gain) loss	—	—	—	—	(0.1)	—	0.4	—
Net periodic benefit (credit) cost	$ 0.4	$ 1.4	$ (1.6)	$ 0.5	$ 1.0	$ 4.2	$ (4.4)	$ 1.7

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

	Three Months Ended				Nine Months Ended			
	September 30, 2023		October 1, 2022		September 30, 2023		October 1, 2022	
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
Interest cost	$ 0.3	$ 0.2	$ 0.3	$ 0.1	$ 1.1	$ 0.7	$ 1.1	$ 0.5
Amortization of actuarial gain	(0.8)	—	(0.3)	—	(2.5)	(0.1)	(0.9)	—
Amortization of prior service credit	—	—	—	—	(0.1)	—	(0.1)	—
Net periodic benefit (credit) cost	$ (0.5)	$ 0.2	$ —	$ 0.1	$ (1.5)	$ 0.6	$ 0.1	$ 0.5

(12) 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 infrequent. 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 current purchase orders, annual price reductions and ongoing price adjustments. In the first nine months of 2023 and 2022, 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 September 30, 2023 and December 31, 2022, there were no significant contract liabilities recorded. Further, in the first nine months of 2023 and 2022, there were no significant contract liabilities recognized in revenue.

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					
	September 30, 2023			October 1, 2022		
	Seating	E-Systems	Total	Seating	E-Systems	Total
North America	$ 1,916.2	$ 465.2	$ 2,381.4	$ 1,888.8	$ 395.4	$ 2,284.2
Europe and Africa	1,437.0	578.4	2,015.4	1,116.7	472.1	1,588.8
Asia	761.8	380.7	1,142.5	719.7	423.2	1,142.9
South America	169.9	71.8	241.7	162.6	62.7	225.3
	$ 4,284.9	$ 1,496.1	$ 5,781.0	$ 3,887.8	$ 1,353.4	$ 5,241.2

	Nine Months Ended					
	September 30, 2023			October 1, 2022		
	Seating	E-Systems	Total	Seating	E-Systems	Total
North America	$ 5,929.5	$ 1,301.7	$ 7,231.2	$ 5,553.4	$ 1,122.1	$ 6,675.5
Europe and Africa	4,601.5	1,837.4	6,438.9	3,650.3	1,474.4	5,124.7
Asia	2,187.2	1,083.9	3,271.1	2,013.3	1,075.7	3,089.0
South America	487.8	196.7	684.5	457.4	174.0	631.4
	$ 13,206.0	$ 4,419.7	$ 17,625.7	$ 11,674.4	$ 3,846.2	$ 15,520.6

(13) 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, gains and losses on the disposal of fixed assets, 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	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Other expense	$ 9.1	$ 20.3	$ 43.2	$ 66.2
Other income	(3.3)	(2.2)	(4.2)	(6.4)
Other expense, net	$ 5.8	$ 18.1	$ 39.0	$ 59.8

In the three months ended September 30, 2023, other income includes net foreign currency transaction gains of $0.2 million. In the nine months ended September 30, 2023, other expense includes net foreign currency transaction losses of $20.8 million and a loss of $5.0 million related to the impairment of an affiliate.

In the three and nine months ended October 1, 2022, other expense includes net foreign currency transaction losses of $12.8 million and $38.6 million, respectively, including $10.6 million related to €140 million of foreign currency contracts in connection with the Company's acquisition of IGB and losses of $0.8 million and $14.5 million, respectively, related to foreign exchange rate volatility in Russia.

(14) Income Taxes

A summary of the provision for income taxes and the corresponding effective tax rate for the three and nine months ended September 30, 2023 and October 1, 2022, is shown below (in millions, except effective tax rates):

	Three Months Ended		Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Provision for income taxes	$ 47.0	$ 41.7	$ 134.1	$ 85.6
Pretax income before equity in net income of affiliates	$ 188.7	$ 154.9	$ 600.6	$ 336.0
Effective tax rate	24.9 %	26.9 %	22.3 %	25.5 %

The Company's provision for income taxes is impacted by the level and mix of earnings among tax jurisdictions. In addition, the Company recognized discrete tax benefits (expense) on the significant items shown below (in millions):

	Nine Months Ended	
	September 30, 2023	October 1, 2022
Restructuring charges and various other items	$ 17.0	$ 25.0
Release of tax reserves	2.3	4.7
Share-based compensation	(0.5)	1.3
Valuation allowances on deferred tax assets	5.7	(2.6)
	$ 24.5	$ 28.4

Excluding the items above, the effective tax rate for the first nine months of 2023 and 2022 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.

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.

On August 16, 2022, the Inflation Reduction Act of 2022 ("IRA") was signed into law. The IRA contains a number of revisions to the Internal Revenue Code, including a 15% corporate minimum tax and a 1% excise tax on share repurchases, which are effective for tax years beginning after December 31, 2022. The tax-related provisions of the IRA did not have a material impact on the Company's consolidated financial statements.

For further information related to the Company's income taxes, see Note 9, "Income Taxes," to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

(15) Net Income Per Share Attributable to Lear

Basic net income per share attributable to Lear is computed by dividing net income attributable to Lear 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 per share attributable to Lear.

Diluted net income per share attributable to Lear is computed using the treasury stock method by dividing net income attributable to Lear by the average number of common shares outstanding, including the dilutive effect of common stock equivalents using the average share price during the period.

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

	Three Months Ended		Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Net income attributable to Lear	$ 132.9	$ 92.3	$ 445.2	$ 210.2
Average common shares outstanding	58,766,586	59,551,765	59,072,189	59,794,788
Dilutive effect of common stock equivalents	309,052	234,095	261,401	236,696
Average diluted shares outstanding	59,075,638	59,785,860	59,333,590	60,031,484
Basic net income per share attributable to Lear	$ 2.26	$ 1.55	$ 7.54	$ 3.52
Diluted net income per share attributable to Lear	$ 2.25	$ 1.54	$ 7.50	$ 3.50

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

(16) 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 in that certain items recorded in equity are included in comprehensive income (loss).

Accumulated Other Comprehensive Loss

A summary of changes, net of tax, in accumulated other comprehensive loss for the three months ended September 30, 2023, is shown below (in millions):

	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
Defined benefit plans:		
Balance at beginning of period	$ (96.3)	$ (95.7)
Reclassification adjustments (net of tax expense of $0.1 million in the nine months ended September 30, 2023)	(0.2)	(0.8)
Other comprehensive income recognized during the period	1.2	1.2
Balance at end of period	$ (95.3)	$ (95.3)
Derivative instruments and hedging:		
Balance at beginning of period	$ 133.0	$ 33.4
Reclassification adjustments (net of tax benefit of $11.1 million and $24.8 million in the three and nine months ended September 30, 2023, respectively)	(45.2)	(98.8)
Other comprehensive income (loss) recognized during the period (net of tax benefit (expense) of $2.3 million and ($36.5) million in the three and nine months ended September 30, 2023, respectively)	(6.5)	146.7
Balance at end of period	$ 81.3	$ 81.3
Foreign currency translation:		
Balance at beginning of period	$ (718.4)	$ (742.8)
Other comprehensive loss recognized during the period (net of tax expense of $0.7 million three months ended September 30, 2023)	(96.1)	(71.7)
Balance at end of period	$ (814.5)	$ (814.5)
Total accumulated other comprehensive loss	$ (828.5)	$ (828.5)

In the three months ended September 30, 2023, foreign currency translation adjustments are primarily related to the weakening of the Euro and, to a lesser extent, the Brazilian real relative to the U.S. dollar. In the nine months ended September 30, 2023, foreign currency translation adjustments are primarily related to the weakening of the Chinese renminbi and, to a lesser extent, the Euro, partially offset by the strengthening of the Brazilian real, relative to the U.S. dollar.

In the three and nine months ended September 30, 2023, foreign currency translation adjustments include pretax losses of $0.3 million and $0.1 million, respectively, related to intercompany transactions for which settlement is not planned or anticipated in the foreseeable future.

In the three months ended September 30, 2023, foreign currency translation adjustments also include derivative net investment hedge losses of $3.3 million.

A summary of changes, net of tax, in accumulated other comprehensive loss for the three and nine months ended October 1, 2022, is shown below (in millions):

	Three Months Ended October 1, 2022	Nine Months Ended October 1, 2022
Defined benefit plans:		
Balance at beginning of period	$ (194.5)	$ (199.4)
Reclassification adjustments (net of tax expense of $0.2 million and $0.7 million in the three and nine months ended October 1, 2022, respectively)	1.0	3.3
Other comprehensive income recognized during the period	5.2	7.8
Balance at end of period	$ (188.3)	$ (188.3)
Derivative instruments and hedging:		
Balance at beginning of period	$ (7.2)	$ (18.6)
Reclassification adjustments (net of tax benefit of $2.3 million and $5.6 million in the three and nine months ended October 1, 2022, respectively)	(9.2)	(23.6)
Other comprehensive income recognized during the period (net of tax expense of $3.8 million and $10.0 million in the three and nine months ended October 1, 2022, respectively)	16.1	41.9
Balance at end of period	$ (0.3)	$ (0.3)
Foreign currency translation:		
Balance at beginning of period	$ (752.5)	$ (552.2)
Other comprehensive loss recognized during the period (net of tax expense of $2.7 million and $7.1 million in the three and nine months ended October 1, 2022, respectively)	(181.9)	(382.2)
Balance at end of period	$ (934.4)	$ (934.4)
Total accumulated other comprehensive loss	$ (1,123.0)	$ (1,123.0)

In the three and nine months ended October 1, 2022, foreign currency translation adjustments are primarily related to the weakening of the Euro and, to a lesser extent, the Chinese renminbi, relative to the U.S. dollar.

In the three and nine months ended October 1, 2022, foreign currency translation adjustments include pretax losses of $0.7 million and $2.0 million, respectively, related to intercompany transactions for which settlement is not planned or anticipated in the foreseeable future.

In the three and nine months ended October 1, 2022, foreign currency translation adjustments also include derivative net investment hedge gains of $14.8 million and $34.2 million, respectively.

For further information regarding reclassification adjustments related to the Company's defined benefit plans, see Note 11, "Pension and Other Postretirement Benefit Plans." For further information regarding reclassification adjustments related to the Company's derivative and hedging activities, see Note 19, "Financial Instruments."

Lear Corporation Stockholders' Equity

Common Stock Share Repurchase Program

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 may repurchase its outstanding common stock and the timing of such repurchases will depend upon its financial condition, results of operations, capital requirements, prevailing market conditions, alternative uses of capital and other factors.

The Company has a common stock share repurchase program (the "Repurchase Program") which permits the discretionary repurchase of its common stock. Since its inception in the first quarter of 2011, the Company's Board of Directors (the "Board") has authorized $6.1 billion in share repurchases under the Repurchase Program, and the Company has repurchased, in aggregate, $5.0 billion of its outstanding common stock, at an average price of $92.42 per share, excluding commissions and related fees. As of September 30, 2023, the Company had a remaining purchase authorization of $1.1 billion under the Repurchase Program, which expires on December 31, 2024.

Share repurchases in the first nine months of 2023 and the remaining purchase authorization as of September 30, 2023, are shown below (in millions, except for share and per share amounts):

Nine Months Ended September 30, 2023				As of September 30, 2023
Aggregate Repurchases [1]	Cash Paid for Repurchases	Number of Shares	Average Price per Share [2]	Remaining Purchase Authorization
$ 138.0	$ 138.0	991,084	$ 139.22	$ 1,091.4

[1] Excludes excise tax
[2] Excludes commissions

In addition to shares repurchased under the Repurchase Program described above, the Company classifies 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 condensed consolidated balance sheets.

Quarterly Dividend

The Board declared a quarterly cash dividend of $0.77 per share of common stock in the first, second and third quarters of 2023 and 2022.

Dividends declared and paid are shown below (in millions):

	Nine Months Ended	
	September 30, 2023	October 1, 2022
Dividends declared	$ 139.0	$ 139.8
Dividends paid	137.3	139.4

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

(17) Legal and Other Contingencies

As of September 30, 2023 and December 31, 2022, the Company had recorded reserves for pending legal disputes, including commercial disputes, product liability claims and other legal matters, of $14.8 million and $15.9 million, respectively. Such reserves reflect amounts recognized in accordance with GAAP and typically exclude the cost of legal representation. Reserves for warranty and recall matters 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, Warranty and Recall 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 warranty and recall matters.

In certain instances, allegedly defective products may be supplied by the Company's 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 claims or warranty and recall matters. 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 warranty and recall matters.

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

A summary of the changes in reserves for warranty and recall matters for the nine months ended September 30, 2023, is shown below (in millions):

Balance at January 1, 2023	$	30.4
Expense, net (including changes in estimates)		5.6
Settlements		(10.7)
Foreign currency translation and other		4.7
Balance at September 30, 2023	$	30.0

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 September 30, 2023 and December 31, 2022, the Company had recorded environmental reserves of $6.0 million and $7.9 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, warranty and recall matters, 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.

(18) Segment Reporting

The Company is organized under two reportable operating segments: Seating, which consists of the design, development, engineering and manufacture of complete seat systems and key seat components, and E-Systems, which consists of the design, development, engineering and manufacture of complete electrical distribution and connection systems, battery disconnect units and other electronic products. Key components of the Company's complete seat systems and components are advanced comfort solutions, including thermal, safety and wellness products, as well as configurable seating product technologies. All of these products are compatible with traditional internal combustion engine ("ICE") architectures and electrified powertrains, including the full range of hybrid, plug-in hybrid and battery electric architectures. Key seat component product offerings include seat trim covers; surface materials such as leather and fabric; seat mechanisms; seat foam; thermal comfort systems such as seat massage, lumbar, heat, ventilation and active cooling products; and headrests. Key components of the Company's electrical distribution and connection systems portfolio include wire harnesses, terminals and connectors, high voltage battery connection systems and engineered components for both ICE architectures and electrified powertrains that require management of higher voltage and power. High voltage battery connection systems include intercell connect boards, bus bars and main battery connection systems. Key components of the other electronic products portfolio include zone control modules, body domain control modules and low voltage and high voltage power distribution modules. The Company's software offerings include embedded control, cybersecurity software and software to control hardware devices. The Company's customers traditionally have sourced its electronic hardware together with the software that the Company embeds in it. 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.

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 before equity in net income of affiliates, interest expense and other expense, net ("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 September 30, 2023			
	Seating	E-Systems	Other	Consolidated
Revenues from external customers	$ 4,284.9	$ 1,496.1	$ —	$ 5,781.0
Segment earnings [(1)]	244.7	60.4	(84.9)	220.2
Depreciation and amortization	98.7	47.9	5.3	151.9
Capital expenditures	85.5	62.6	5.1	153.2
Total assets	8,570.6	4,056.6	1,986.5	14,613.7

	Three Months Ended October 1, 2022			
	Seating	E-Systems	Other	Consolidated
Revenues from external customers	$ 3,887.8	$ 1,353.4	$ —	$ 5,241.2
Segment earnings [(1)]	222.6	46.8	(71.6)	197.8
Depreciation and amortization	90.2	44.2	4.9	139.3
Capital expenditures	77.9	57.6	4.9	140.4
Total assets	7,879.7	3,642.7	1,856.8	13,379.2

	Nine Months Ended September 30, 2023			
	Seating	E-Systems	Other	Consolidated
Revenues from external customers	$ 13,206.0	$ 4,419.7	$ —	$ 17,625.7
Segment earnings [(1)]	823.4	155.6	(263.3)	715.7
Depreciation and amortization	293.2	141.5	15.6	450.3
Capital expenditures	238.4	179.9	15.0	433.3

LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

	Nine Months Ended October 1, 2022			
	Seating	E-Systems	Other	Consolidated
Revenues from external customers	$ 11,674.4	$ 3,846.2	$ —	$ 15,520.6
Segment earnings [1]	636.6	64.7	(230.9)	470.4
Depreciation and amortization	276.5	143.8	14.0	434.3
Capital expenditures	260.8	163.7	18.4	442.9

[1] See definition above

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	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Segment earnings	$ 220.2	$ 197.8	$ 715.7	$ 470.4
Interest expense	25.7	24.8	76.1	74.6
Other expense, net	5.8	18.1	39.0	59.8
Consolidated income before provision for income taxes and equity in net income of affiliates	$ 188.7	$ 154.9	$ 600.6	$ 336.0

(19) 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 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):

	September 30, 2023	December 31, 2022
Estimated aggregate fair value [1]	$ 2,280.7	$ 2,142.3
Aggregate carrying value [1] [2]	2,750.0	2,600.0

[1] 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 cash on deposit that is legally restricted as to use or withdrawal. A reconciliation of cash and cash equivalents 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):

	September 30, 2023	October 1, 2022
Balance sheet:		
Cash and cash equivalents	$ 979.7	$ 842.2
Restricted cash included in other current assets	1.9	—
Restricted cash included in other long-term assets	1.6	2.1
Statement of cash flows:		
Cash, cash equivalents and restricted cash	$ 983.2	$ 844.3

Accounts Receivable

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 September 30, 2023 and December 31, 2022, accounts receivable are reflected net of reserves of $31.7 million and $35.3 million, respectively. Changes in expected credit losses were not significant in the first nine months of 2023.

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):

	September 30, 2023	December 31, 2022
Current assets	$ 1.7	$ 3.6
Other long-term assets	62.6	53.6
	$ 64.3	$ 57.2

Unrealized gains and losses arising from changes in the fair value of the marketable equity securities are recognized in other expense, net in the condensed consolidated statements of comprehensive income (loss). 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 September 30, 2023 and December 31, 2022, investments in equity securities without readily determinable fair values of $13.2 million and $18.2 million, respectively, are included in other long-term assets in the accompanying condensed consolidated balance sheets. Such investments are valued at cost, less cumulative impairments of $15.0 million and $10.0 million as of September 30, 2023 and December 31, 2022, respectively. During the nine months ended September 30, 2023, the Company recognized an impairment charge of $5.0 million related to its investment in an affiliate.

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 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 hedge 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 hedge 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 the sale or liquidation of the investment, the gain or loss included in accumulated other comprehensive loss is recorded in earnings and reflected in other expense, net in the condensed consolidated statements of comprehensive income (loss). Changes in the fair value of contracts not designated as hedge instruments are recorded in earnings and reflected in other expense, net in the condensed consolidated statements of comprehensive income (loss). 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 condensed 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 condensed consolidated balance sheets. 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 Chinese renminbi, the Philippine peso and the Japanese yen.

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 nine months ended September 30, 2023 and October 1, 2022, contra interest expense on net investment hedges of $1.7 million and $4.1 million, respectively, is included in interest expense in the accompanying condensed consolidated statements of comprehensive income (loss).

Balance Sheet Classification

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

	September 30, 2023	December 31, 2022
Fair value of foreign currency contracts designated as cash flow hedges:		
Other current assets	$ 117.7	$ 63.4
Other long-term assets	13.7	10.3
Other current liabilities	(3.4)	(6.7)
Other long-term liabilities	(3.4)	(0.2)
	124.6	66.8
Notional amount	$ 1,738.9	$ 1,546.9
Outstanding maturities in months, not to exceed	24	24
Fair value of derivatives designated as net investment hedges:		
Other long-term assets	$ 4.8	$ 4.8
Notional amount	$ 150.0	$ 150.0
Outstanding maturities in months, not to exceed	30	39
Fair value of foreign currency contracts not designated as hedging instruments:		
Other current assets	$ 4.0	$ 9.5
Other current liabilities	(2.1)	(13.4)
	1.9	(3.9)
Notional amount	$ 585.0	$ 758.6
Outstanding maturities in months, not to exceed	4	7
Total fair value	$ 131.3	$ 67.7
Total notional amount	$ 2,473.9	$ 2,455.5

Accumulated Other Comprehensive Loss — Derivative Instruments and Hedging

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

	Three Months Ended		Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Gains (losses) recognized in accumulated other comprehensive loss:				
Foreign currency contracts	$ (8.8)	$ 19.9	$ 183.2	$ 51.9
Net investment hedge contracts	3.3	14.8	—	34.2
	(5.5)	34.7	183.2	86.1
(Gains) losses reclassified from accumulated other comprehensive loss to:				
Net sales	(0.9)	(4.3)	(0.5)	(9.2)
Cost of sales	(56.0)	(7.8)	(125.3)	(21.8)
Interest expense	0.6	0.6	1.8	1.8
Other expense, net	—	—	0.4	—
	(56.3)	(11.5)	(123.6)	(29.2)
Comprehensive income (loss)	$ (61.8)	$ 23.2	$ 59.6	$ 56.9

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

As of September 30, 2023 and December 31, 2022, pretax net gains of $131.4 million and $71.8 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 gains (losses) expected to be reclassified into earnings are shown below (in millions):

Foreign currency contracts	$ 114.3
Interest rate swap contracts	(2.4)
Total	$ 111.9

Such gains and 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 September 30, 2023 and December 31, 2022, are shown below (in millions):

	September 30, 2023					
	Frequency	**Asset (Liability)**	**Valuation Technique**	**Level 1**	**Level 2**	**Level 3**
Foreign currency contracts, net	Recurring	$ 126.5	Market/ Income	$ —	$ 126.5	$ —
Net investment hedges	Recurring	4.8	Market/ Income	—	4.8	—
Marketable equity securities	Recurring	64.3	Market	64.3	—	—

	December 31, 2022								
	Frequency		Asset (Liability)	Valuation Technique		Level 1		Level 2		Level 3
Foreign currency contracts, net	Recurring	$	62.9	Market/ Income	$	—	$	62.9	$	—
Net investment hedges	Recurring		4.8	Market/ Income		—		4.8		—
Marketable equity securities	Recurring		57.2	Market		57.2		—		—

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 September 30, 2023 and December 31, 2022, 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 2023.

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.

As a result of the acquisition of IGB (Note 3, "Acquisitions"), Level 3 fair value estimates related to property, plant and equipment of $48.4 million, developed technology and customer-based intangible assets of $15.4 million and right-of-use assets of $14.3 million are recorded in the accompanying condensed consolidated balance sheet as of September 30, 2023. Fair value estimates of property, plant and equipment were based on independent appraisals, giving consideration to the highest and best use of the assets. Key assumptions used in the appraisals were based on a combination of market and cost approaches, as appropriate. Fair value estimates of developed technology intangible assets were based on the relief from royalty approach. Fair value estimates of customer-based intangible assets were based on the multi-period excess earnings method. Fair value estimates of right-of-use assets were based on a market approach.

In the nine months ended September 30, 2023, the Company completed impairment assessments related to certain of its intangible assets resulting from changes in the intended use of such assets and recorded impairment charges of $1.9 million. The fair value estimate of the related asset group was based on management's estimates using a discounted cash flow method.

In the nine months ended September 30, 2023, the Company completed an impairment assessment related to certain right-of-assets in conjunction with its restructuring actions and recorded an impairment charge of $9.6 million (Note 4, "Restructuring"). The fair value estimates of the related assets were based on management's estimates using a discounted cash flow method.

As of September 30, 2023, there were no additional significant assets or liabilities measured at fair value on a non-recurring basis.

(20) Accounting Pronouncements

The Company considers the applicability and impact of all Accounting Standards Updates ("ASUs") issued by the Financial Accounting Standards Board. ASUs effective in 2023 and ASUs effective in subsequent years that have been issued but not yet adopted were assessed and determined to be either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

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

EXECUTIVE OVERVIEW

Lear Corporation is a global automotive technology leader in Seating and E-Systems, enabling superior in-vehicle experiences for consumers around the world. We supply complete seat systems, key seat components, electrical distribution and connection systems, battery disconnect units ("BDUs") and other electronic products to all of the world's major automotive manufacturers.

Lear is built on a foundation and strong culture of innovation, operational excellence, and engineering and program management capabilities. We use our product, design and technological expertise, as well as our global reach and competitive manufacturing footprint, to achieve our financial goals and objectives. These include continuing to deliver profitable growth (balancing risks and returns); investing in innovation to drive business growth and profitability; maintaining a strong balance sheet with investment grade credit metrics; and consistently returning capital to our stockholders. Further, we have aligned our strategy with key trends affecting our business — primarily electrification. At Lear, we are *Making every drive better*™ by providing technology for safer, smarter and more comfortable journeys, while adhering to our values — *Be Inclusive. Be Inventive. Get Results the Right Way*.

Our business is organized under two reporting segments: Seating and E-Systems. Each of these segments has a varied product and technology portfolio across a number of component categories.

Our Seating business consists of the design, development, engineering and manufacture of complete seat systems and key seat components. Our capabilities in operations and supply chain management enable synchronized assembly and just-in-time delivery of complex complete seat systems at high volumes to our customers. Included in our complete seat systems and components are thermal comfort systems, additional advanced comfort solutions (including safety and wellness products) and configurable seating product technologies. All of these products are compatible with traditional internal combustion engine ("ICE") architectures and electrified powertrains, including the full range of hybrid, plug-in hybrid and battery electric architectures. Our advanced comfort solutions are facilitated by our seat system, component and integration capabilities, together with our competencies in electronics, sensors, software and algorithms. As the most vertically integrated global seat supplier, our key seat component product offerings include seat trim covers; surface materials such as leather and fabric; seat mechanisms; seat foam; thermal comfort systems such as seat massage, lumbar, heat, ventilation and active cooling products; and headrests.

Our E-Systems business consists of the design, development, engineering and manufacture of complete electrical distribution and connection systems, BDUs and other electronic products. These capabilities enable us to provide our customers with customizable solutions with optimized designs at competitive costs for both low voltage and high voltage vehicle architectures. Electrical distribution and connection systems utilize low voltage and high voltage wire, high-speed data cables and flat wiring to connect networks and electrical signals and manage electrical power within the vehicle for all types of powertrains – from traditional ICE architectures to the full range of electrified powertrains that require management of higher voltage and power. Key components of our electrical distribution and connection systems portfolio include wire harnesses, terminals and connectors, high voltage battery connection systems and engineered components. High voltage battery connection systems include intercell connect boards, bus bars and main battery connection systems. BDUs control all electrical energy flowing into and out of high voltage batteries on electrified vehicles. Our other electronic products facilitate signal, data and power management within the vehicle and include the associated software required to facilitate these functions. Key components of our other electronic products portfolio include zone control modules, body domain control modules and low voltage and high voltage power distribution modules. Our software offerings include embedded control, cybersecurity software and software to control hardware devices. Our customers traditionally have sourced our electronic hardware together with the software that we embed in it.

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 450 vehicle nameplates worldwide. It is common for us to have both Seating and E-Systems content on the same vehicle platform.

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, all of which contribute to our reputation for operational excellence. Our core capabilities are shared across component categories and include: high-precision manufacturing and assembly with short lead times; complex, global supply chain management; global engineering and program management; the agility to establish and/or transfer production between facilities quickly; and a unique, customer-focused culture. In select instances, we manufacture both Seating and E-Systems components in the same facility. Our businesses also utilize proprietary, industry-specific processes and standards, leverage common low-cost engineering centers and share centralized operating support functions. These functions include health and safety, logistics, quality, supply chain management and all major administrative functions such as corporate finance, executive administration, human resources, information technology and legal.

Industry Overview

Our sales are driven by the number of vehicles produced by the automotive manufacturers, which is ultimately dependent on consumer demand for automotive vehicles and the availability of raw materials and components, and our content per vehicle. Since 2020, the automotive industry has experienced a decline in global production volumes. In 2022, industry production recovered modestly, increasing 7% compared to 2021. In 2023, industry production is expected to increase 7% compared to 2022 (based on October 2023 S&P Global Mobility projections). This reflects a return to 2019 pre-pandemic production levels but remains approximately 7% below 2017 peak levels. Since 2020, the global economy, as well as the automotive industry, have been influenced directly and indirectly by macroeconomic events resulting in unfavorable conditions, including shortages of semiconductor chips and other components, elevated inflation levels, higher interest rates, and labor and energy shortages in certain markets. Beginning in the third quarter of 2023 and continuing into the fourth quarter, the automotive industry has also been impacted by labor strikes and related disruptions at certain of our customers' facilities in the United States. These factors, amongst others, continue to impact consumer demand as well as the ability of automotive manufacturers to produce vehicles to meet demand. Our strategy to mitigate these impacts encompasses our comprehensive cost management process, including cost technology optimization, actions to further align our manufacturing capacity to the current industry production environment, investments in Industry 4.0 technologies to enhance operational efficiencies, and improved utilization of existing facilities and equipment to reduce future expenditures. For a description of related risks, see Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2022.

Global automotive industry production volumes in the first nine months of 2023, as compared to the first nine months of 2022, are shown below (in thousands of units):

	Nine Months Ended		
	September 30 2023 [1]	October 1, 2022 [1] [2]	% Change
North America	11,956.7	10,743.9	11 %
Europe and Africa	13,476.3	11,815.8	14 %
Asia	35,880.9	33,452.3	7 %
South America	2,131.4	2,012.1	6 %
Other	1,377.2	1,426.4	(3)%
Global light vehicle production	64,822.5	59,450.5	9 %

[1] Production data based on S&P Global Mobility
[2] Production data for 2022 have been updated from our third quarter 2022 Quarterly Report on Form 10-Q to reflect actual production levels

Automotive sales and production can also be affected by the age of the vehicle fleet and related scrappage rates, labor relations issues, fuel prices, regulatory requirements, government initiatives, trade agreements, the availability and cost of credit, the availability of critical components needed to complete the production of vehicles, restructuring actions of our customers and suppliers, facility closures, changing consumer attitudes toward vehicle ownership and usage and other factors. Our operating results are also significantly impacted by the overall commercial success of the vehicle platforms for which we supply particular products, as well as the profitability of the products, including the level of vertical integration, that we supply for these platforms. The loss of business with respect to any vehicle model for which we are a significant supplier, or a decrease in the production levels of any such models, could adversely affect our operating results. In addition, larger cars and light trucks, as well as vehicle platforms that offer more features and functionality, such as luxury, sport utility and crossover vehicles, typically have more content and, therefore, tend to have a more significant impact on our operating results.

Our percentage of consolidated net sales by region in the first nine months of 2023 and 2022 is shown below:

	Nine Months Ended	
	September 30, 2023	October 1, 2022
North America	41 %	43 %
Europe and Africa	36 %	33 %
Asia	19 %	20 %
South America	4 %	4 %
Total	100 %	100 %

Our ability to reduce the risks inherent in certain concentrations of our business, and thereby maintain our financial performance in the future, will depend, in part, on our ability to continue to diversify our sales on a customer, product, platform and geographic basis to reflect the market overall.

The automotive industry, and our business, continue to be shaped by the broad trend of electrification, which is likely to be at the forefront of the industry for the foreseeable future. Demand for, and regulatory developments related to, improved energy efficiency and sustainability (e.g., government mandates related to fuel economy and carbon emissions) are significant drivers of this trend.

Through our products, technology and strategic initiatives, we are well positioned to capture business growth opportunities resulting from current industry trends. We are focused on profitably growing our businesses and have implemented a strategy designed to deliver industry-leading, long-term financial returns. This strategy is based upon the following four pillars designed to capitalize on industry trends and drive growth and profitability in both of our business segments:

- Extend our market leadership position in Seating with priceable content;
- Transform our E-Systems business through accelerated growth in connection systems, vehicle architecture evolution and electrification and the rationalization of our product portfolio to improve profitability;
- Build on our reputation for operational excellence through investment in Industry 4.0 technologies; and
- Prioritize people and the planet through our sustainability initiatives.

For further information related to these trends and our strategy, see Item 1, "Business," in our Annual Report on Form 10-K for the year ended December 31, 2022.

Our customers typically require us to reduce our prices over the life of a vehicle model and, at the same time, assume significant responsibility for the design, development and engineering of our products. Our financial performance is largely dependent on our ability to offset these price reductions with product cost reductions through product design enhancement, supply chain management, manufacturing efficiencies and restructuring actions. We also seek to enhance our financial performance by investing in product development, design capabilities and new product initiatives that respond to and anticipate the needs of our customers and consumers. We continually evaluate operational and strategic alternatives to improve our business structure and align our business with the changing needs of our customers and major industry trends affecting our business.

Our material cost as a percentage of net sales was 65.5% in the first nine months of 2023, as compared to 66.4% in the first nine months of 2022. Raw material, energy, commodity and product component costs can be volatile, reflecting, among other things, changes in supply and demand, logistics issues, global trade and tariff policies, and geopolitical issues. Our primary commodity cost exposures relate to steel, copper and leather. We have developed and implemented strategies to mitigate the impact of such costs through the selective in-sourcing of components, the continued consolidation of our supply base, longer-term purchase commitments, contractual recovery mechanisms and the selective expansion of low-cost country sourcing and engineering, as well as value engineering and product benchmarking. Further, our exposure to changes in steel prices is primarily indirect, through purchased components, and a significant portion of our copper, leather and direct steel purchases are subject to price index agreements with our customers and suppliers. Certain of these strategies also may limit our opportunities in a declining price environment. In the current environment of elevated raw material, energy, commodity and product component costs, these strategies, together with commercial negotiations with our customers and suppliers, have offset a significant portion of the adverse impact. In addition, the availability of raw materials, energy, commodities and product components fluctuates from time to time due to factors outside of our control. If these costs increase or availability is restricted, it could have an adverse impact on our operating results in the foreseeable future. See "— Forward-Looking Statements" below and Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2022.

Financial Measures

In evaluating our financial condition and operating performance, we focus primarily on earnings, operating margins, cash flows and return on invested capital. Our strategy includes expanding our business with new and existing customers globally through new products, including those aligned with the trend toward electrification. We also have increased our vertical integration capabilities globally, as well as expanded our component manufacturing capacity in Asia, Eastern Europe, Mexico and Northern Africa and our low-cost engineering capabilities in Asia, Eastern Europe and Northern Africa.

Our success in generating cash flow will depend, in part, on our ability to manage working capital effectively. Working capital can be significantly impacted by the timing of cash flows from sales and purchases. Historically, we generally have been successful in aligning our supplier payment terms with our customer payment terms. However, our ability to continue to do so may be impacted by adverse automotive industry conditions, including inconsistent production schedules due to supply shortages, changes to our customers' payment terms and the financial condition of our suppliers. In addition, our cash flow is impacted by our ability to manage our inventory and capital spending effectively. We utilize return on invested capital as a measure of the efficiency with which our assets generate earnings. Improvements in our return on invested capital will depend on our ability to maintain an appropriate asset base for our business and to increase productivity and operating efficiency.

Acquisition

On April 26, 2023, we completed the acquisition of I.G. Bauerhin ("IGB"), a privately held supplier of automotive seat heating, ventilation, active cooling, steering wheel heating, seat sensors and electronic control modules, headquartered in Grundau-Rothenbergen, Germany. IGB has more than 4,600 employees at nine manufacturing plants in seven countries. The acquisition of IGB furthers our comprehensive strategy to develop and integrate a complete portfolio of thermal comfort systems for automotive seating. IGB provides active cooling, as well as additional scale to our seat heating and ventilation capabilities and complements the lumbar and massage capabilities obtained with our acquisition of Kongsberg Automotive's Interior Comfort Systems business unit ("Kongsberg ICS") in February 2022. Further, the vertical integration opportunities provided by this acquisition help support our goal of achieving global market share gains in seat systems. The IGB transaction is valued at approximately $175 million, net of cash acquired. On May 1, 2023, we borrowed $150 million under our delayed-draw term loan facility (the "Term Loan") to finance, in part, the acquisition of IGB.

Operational Restructuring

In the first nine months of 2023, we incurred pretax restructuring costs of $96 million and related manufacturing inefficiency charges of approximately $1 million, as compared to pretax restructuring costs of $89 million and related manufacturing inefficiency charges of approximately $5 million in the first nine months of 2022. None of the individual restructuring actions initiated in the first nine months of 2023 were material. Further, there have been no changes in previously initiated restructuring actions that have resulted (or will result) in a material change to our restructuring costs.

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 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. We expect to incur approximately $23 million of additional restructuring costs related to activities initiated as of September 30, 2023, all of which are expected to be incurred in the next twelve months. We plan to implement additional restructuring actions 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 4, "Restructuring," to the condensed consolidated financial statements included in this Report.

Financing Transaction

On May 1, 2023, we borrowed $150 million under our Term Loan to finance, in part, the acquisition of IGB.

For further information related to our acquisition of IGB and our Term Loan, see Note 3, "Acquisitions," and Note 9, "Debt," to the condensed consolidated financial statements included in this Report.

Share Repurchase Program and Quarterly Cash Dividends

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 may repurchase our outstanding common stock and the timing of such repurchases will depend upon our financial condition, results of operations, capital requirements, prevailing market conditions, alternative uses of capital and other factors. See "— Forward-Looking Statements" below.

Since the first quarter of 2011, our Board of Directors (the "Board") has authorized $6.1 billion in share repurchases under our common stock share repurchase program. In the first nine months of 2023, we repurchased $138 million of shares. As of September 30, 2023, we have a remaining repurchase authorization of $1.1 billion, which expires on December 31, 2024.

Our Board declared a quarterly cash dividend of $0.77 per share of common stock in the first, second and third quarters of 2023.

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 16, "Comprehensive Income (Loss) and Equity," to the condensed consolidated financial statements included in this Report.

Other Matters

In the three months ended September 30, 2023, we recognized net tax benefits of $7 million related to the release of a valuation allowance on deferred tax assets of a foreign subsidiary, restructuring charges and various other items. In the nine months ended September 30, 2023, we recognized net tax benefits of $25 million related to the release of valuation allowances on deferred tax assets of foreign subsidiaries, the release of tax reserves at several foreign subsidiaries, restructuring charges and various other items.

In the three months ended October 1, 2022, we recognized net tax benefits of $6 million related to restructuring charges and various other items and tax expense of $3 million related to the establishment of a valuation allowance on deferred tax assets of a foreign subsidiary. In the nine months ended October 1, 2022, we recognized net tax benefits of $31 million related to the release of tax reserves at several foreign subsidiaries, restructuring charges and various other items and net tax expense of $3 million related to changes in valuation allowances on deferred tax assets of foreign subsidiaries.

Our results for the nine months ended September 30, 2023 and October 1, 2022, reflect the following items (in millions):

	Three Months Ended		Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Costs related to restructuring actions, including manufacturing inefficiencies of $1 million in the nine months ended September 30, 2023, and $1 million and $5 million in the three and nine months ended October 1, 2022, respectively	$ 48	$ 19	$ 97	$ 94
Acquisition costs	—	—	1	10
Acquisition-related inventory fair value adjustment	—	—	2	1
Other acquisition-related costs	—	11	—	11
Impairments related to Russian operations	—	20	2	20
Intangible asset impairment	—	—	2	9
(Insurance recoveries) costs related to typhoon in the Philippines, net	(8)	(1)	(7)	4
Foreign exchange (gains) losses due to foreign exchange rate volatility related to Russia	(1)	1	(3)	15
Impairment of affiliate	—	—	5	—
Tax benefit, net	(7)	(3)	(25)	(28)

For further information regarding these items, see Note 3, "Acquisitions," Note 4, "Restructuring," Note 7, "Long-Lived Assets," Note 8, "Goodwill and Indefinite-Lived Intangible Assets," Note 10, "Leases," Note 13, "Other Expense, Net," Note 14, "Income Taxes," and Note 19, "Financial Instruments," 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, 2022.

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			
	September 30, 2023		October 1, 2022		September 30, 2023		October 1, 2022	
Net sales								
Seating	$ 4,284.9	74.1 %	$ 3,887.8	74.2 %	$ 13,206.0	74.9 %	$ 11,674.4	75.2 %
E-Systems	1,496.1	25.9	1,353.4	25.8	4,419.7	25.1	3,846.2	24.8
Net sales	5,781.0	100.0	5,241.2	100.0	17,625.7	100.0	15,520.6	100.0
Cost of sales	5,362.8	92.8	4,864.3	92.8	16,320.5	92.6	14,482.3	93.3
Gross profit	418.2	7.2	376.9	7.2	1,305.2	7.4	1,038.3	6.7
Selling, general and administrative expenses	182.5	3.2	163.9	3.1	542.1	3.1	512.4	3.3
Amortization of intangible assets	15.5	0.3	15.2	0.3	47.4	0.3	55.5	0.3
Interest expense	25.7	0.4	24.8	0.5	76.1	0.4	74.6	0.5
Other expense, net	5.8	0.1	18.1	0.3	39.0	0.2	59.8	0.4
Provision for income taxes	47.0	0.8	41.7	0.8	134.1	0.8	85.6	0.5
Equity in net income of affiliates	(10.4)	(0.2)	(6.0)	(0.1)	(36.2)	(0.2)	(21.0)	(0.1)
Net income attributable to noncontrolling interests	19.2	0.3	26.9	0.5	57.5	0.3	61.2	0.4
Net income attributable to Lear	$ 132.9	2.3 %	$ 92.3	1.8 %	$ 445.2	2.5 %	$ 210.2	1.4 %

Three Months Ended September 30, 2023 vs. Three Months Ended October 1, 2022

Net sales in the third quarter of 2023 were $5.8 billion, as compared to $5.2 billion in the third quarter of 2022, an increase of $540 million or 10%. Higher production volumes on Lear platforms in Europe, North America and South America and new business in every region favorably impacted net sales by $231 million and $177 million, respectively. Foreign exchange rate fluctuations and our acquisition of IGB also increased net sales by $100 million and $52 million, respectively.

(in millions)	Cost of Sales
Third quarter 2022	$ 4,864.3
Material cost	280.5
Labor and other	206.1
Depreciation	11.9
Third quarter 2023	$ 5,362.8

Cost of sales was $5.4 billion in the third quarter of 2023, as compared to $4.9 billion in the third quarter of 2022. Higher production volumes on Lear platforms in Europe, North America and South America and new business in every region increased cost of sales. Foreign exchange rate fluctuations and the acquisition of IGB also increased cost of sales.

Gross profit and gross margin were $418 million and 7.2% of net sales, respectively, in the third quarter of 2023, as compared to $377 million and 7.2% of net sales, respectively, in the third quarter of 2022. Higher production volumes on Lear platforms and new business positively impacted gross profit by $43 million. The impact of favorable operating performance, including the benefit of restructuring actions, was offset by selling price reductions. Gross profit was negatively impacted in the third quarter of 2023 by higher restructuring charges and in the third quarter of 2022 by impairment charges related to our Russian operations. These factors had a corresponding impact on gross margin.

Selling, general and administrative expenses, including engineering and development expenses, were $183 million in the third quarter of 2023, as compared to $164 million in the third quarter of 2022, primarily reflecting higher sales and our acquisition of IGB in 2023. As a percentage of net sales, selling, general and administrative expenses were 3.2% in the third quarter of 2023, as compared to 3.1% in the third quarter of 2022.

Amortization of intangible assets was $16 million in the third quarter of 2023, as compared to $15 million in the third quarter of 2022.

Interest expense was $26 million in the third quarter of 2023, as compared to $25 million in the third quarter of 2022.

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, gains and losses on the disposal of fixed assets, the non-service cost components of net periodic benefit cost and other miscellaneous income and expense, was $6 million in the third quarter of 2023, as compared to $18 million in the third quarter of 2022. In the third quarter of 2022, we recognized foreign exchange losses of $11 million related to €140 million of foreign currency contracts in connection with our acquisition of IGB.

In the third quarter of 2023, the provision for income taxes was $47 million, representing an effective tax rate of 24.9% on pretax income before equity in net income of affiliates of $189 million. In the third quarter of 2022, the provision for income taxes was $42 million, representing an effective tax rate of 26.9% on pretax income before equity in net income of affiliates of $155 million, for the reasons described below. For further information, see Note 14, "Income Taxes," to the condensed consolidated financial statements included in this Report.

In the third quarters of 2023 and 2022, the provision for income taxes was primarily impacted by the level and mix of earnings among tax jurisdictions. In the third quarter of 2023, we recognized net tax benefits of $7 million related to the release of a valuation allowance on deferred tax assets of a foreign subsidiary, restructuring charges and various other items. In the third quarter of 2022, we recognized net tax benefits of $6 million related to restructuring charges and various other items and tax expense of $3 million related to the establishment of a valuation allowance on deferred tax assets of a foreign subsidiary.

Excluding these items, the effective tax rate for the third quarters of 2023 and 2022 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.

Equity in net income of affiliates was $10 million in the third quarter of 2023, as compared to $6 million in the third quarter of 2022.

Net income attributable to Lear was $133 million, or $2.25 per diluted share, in the third quarter of 2023, as compared to $92 million, or $1.54 per diluted share, in the third quarter of 2022. Net income and diluted net income per share increased for the reasons described above.

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 18, "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	
	September 30, 2023	October 1, 2022
Net sales	$ 4,284.9	$ 3,887.8
Segment earnings [1]	244.7	222.6
Margin	5.7 %	5.7 %

[1] See definition above

Seating net sales were $4.3 billion in the third quarter of 2023, as compared to $3.9 billion in the third quarter of 2022, reflecting an increase of $397 million or 10%. Higher production volumes on Lear platforms and new business favorably impacted net sales by $134 million and $95 million, respectively. Foreign exchange rate fluctuations and our acquisition of IGB also increased net sales by $71 million and $52 million, respectively.

Segment earnings, including restructuring costs, and the related margin on net sales were $245 million and 5.7% in the third quarter of 2023, as compared to $223 million and 5.7% in the third quarter of 2022. Higher production volumes on Lear platforms and new business positively impacted segment earnings by $23 million. The impact of favorable operating performance, including the benefit of operational restructuring actions, was offset by selling price reductions. Segment earnings was negatively impacted in the third quarter of 2023 by higher restructuring charges and in the third quarter of 2022 by impairment charges related to our Russian operations.

E-Systems

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

	Three Months Ended	
	September 30, 2023	**October 1, 2022**
Net sales	$ 1,496.1	$ 1,353.4
Segment earnings[1]	60.4	46.8
Margin	4.0 %	3.5 %

[1] See definition above

E-Systems net sales were $1.5 billion in the third quarter of 2023, as compared to $1.4 billion in the third quarter of 2022, reflecting an increase of $143 million or 11%. New business and higher production volumes on Lear platforms favorably impacted net sales by $82 million and $55 million, respectively. Foreign exchange rate fluctuations also increased net sales by $29 million.

Segment earnings, including restructuring costs, and the related margin on net sales were $60 million and 4.0% in the third quarter of 2023, as compared to $47 million and 3.5% in the third quarter of 2022. New business and higher production volumes on Lear platforms positively impacted segment earnings by $20 million. The impact of favorable operating performance, including the benefit of operational restructuring actions, was offset by selling price reductions and 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):

	Three Months Ended	
	September 30, 2023	**October 1, 2022**
Net sales	$ —	$ —
Segment earnings [1]	(84.9)	(71.6)
Margin	N/A	N/A

[1] See definition above

Segment earnings related to our other category were ($85) million in the third quarter of 2023, as compared to ($72) million in the third quarter of 2022, primarily reflecting higher compensation-related costs and costs related to our efficiency initiatives.

Nine Months Ended September 30, 2023 vs. Nine Months Ended October 1, 2022

Net sales for the nine months ended September 30, 2023 were $17.6 billion, as compared to $15.5 billion for the nine months ended October 1, 2022, an increase of $2.1 billion or 14%. Higher production volumes on Lear platforms and new business in every region favorably impacted net sales by $1.4 billion and $0.6 billion, respectively.

(in millions)		Cost of Sales
First nine months of 2022	$	14,482.3
Material cost		1,258.9
Labor and other		557.5
Depreciation		21.8
First nine months of 2023	$	16,320.5

Cost of sales in the first nine months of 2023 was $16.3 billion, as compared to $14.5 billion in the first nine months of 2022. Higher production volumes on Lear platforms and new business in every region increased cost of sales.

Gross profit and gross margin were $1.3 billion and 7.4% of net sales, respectively, for the nine months ended September 30, 2023, as compared to $1.0 billion and 6.7% of net sales, respectively, for the nine months ended October 1, 2022. Higher production volumes on Lear platforms and new business positively impacted gross profit by $283 million. The impact of favorable operating performance, including the benefit of restructuring actions, was offset by selling price reductions. These factors had a corresponding impact on gross margin.

Selling, general and administrative expenses, including engineering and development expenses, were $542 million in the first nine months of 2023, as compared to $512 million in the first nine months of 2022, primarily reflecting higher sales and our acquisition of IGB in 2023. As a percentage of net sales, selling, general and administrative expenses were 3.1% in the first nine months of 2023, as compared to 3.3% in the first nine months of 2022,

Amortization of intangible assets was $47 million, including a $2 million impairment charge, in the first nine months of 2023, as compared to $56 million, including a $9 million impairment charge, in the first nine months of 2022.

Interest expense was $76 million in the first nine months of 2023, as compared to $75 million in the first nine months of 2022.

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, gains and losses on the disposal of fixed assets, the non-service cost components of net periodic benefit cost and other miscellaneous income and expense, was $39 million in the nine months ended September 30, 2023, as compared to $60 million in the nine months ended October 1, 2022. In the first nine months of 2023, we recognized foreign exchange gains of $3 million related to foreign exchange rate volatility in Russia and a loss of $5 million related to the impairment of an affiliate. In the first nine months of 2022, we recognized foreign exchange losses of $15 million related to foreign exchange rate volatility in Russia and $11 million related to €140 million of foreign currency contracts in connection with our acquisition of IGB.

For the nine months ended September 30, 2023, the provision for income taxes was $134 million, representing an effective tax rate of 22.3% on pretax income before equity in net income of affiliates of $601 million. For the nine months ended October 1, 2022, the provision for income taxes was $86 million, representing an effective tax rate of 25.5% on pretax income before equity in net income of affiliates of $336 million, for reasons described below. For further information, see Note 14, "Income Taxes," to the condensed consolidated financial statements included in this Report.

In the first nine months of 2023 and 2022, the provision for income taxes was primarily impacted by the level and mix of earnings among tax jurisdictions. In the first nine months of 2023, we recognized net tax benefits of $25 million related to the release of valuation allowances on deferred tax assets of foreign subsidiaries, the release of tax reserves at several foreign subsidiaries, restructuring charges and various other items. In the first nine months of 2022, we recognized net tax benefits of $31 million related to the release of tax reserves at several foreign subsidiaries, restructuring charges and various other items and net tax expense of $3 million related to changes in valuation allowances on deferred tax assets of foreign subsidiaries. Excluding these items, the effective tax rate for the first nine months of 2023 and 2022 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.

Equity in net income of affiliates was $36 million in the first nine months of 2023, as compared to $21 million in the first nine months of 2022, primarily reflecting the higher earnings of certain of our joint ventures in Asia.

Net income attributable to Lear was $445 million, or $7.50 per diluted share, for the nine months ended September 30, 2023, as compared to $210 million, or $3.50 per diluted share, for the nine months ended October 1, 2022. Net income and diluted net income per share increased for the reasons described above.

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 September 30, 2023 vs. Three Months Ended October 1, 2022 — 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	
	September 30, 2023	October 1, 2022
Net sales	$ 13,206.0	$ 11,674.4
Segment earnings [1]	823.4	636.6
Margin	6.2 %	5.5 %

[1] See definition above

Seating net sales were $13.2 billion for the nine months ended September 30, 2023, as compared to $11.7 billion for the nine months ended October 1, 2022, an increase of $1.5 billion or 13%. Higher production volumes on Lear platforms and new business favorably impacted net sales by $1.0 billion and $0.4 billion, respectively. Our acquisitions of IGB and Kongsberg ICS also increased net sales $0.1 billion.

Segment earnings, including restructuring costs, and the related margin on net sales were $823 million and 6.2% for the nine months ended September 30, 2023, as compared to $637 million and 5.5% for the nine months ended October 1, 2022. Higher production volumes on Lear platforms and new business positively impacted segment earnings by $199 million. The impact of favorable operating performance, including the benefit of operational restructuring actions, was offset by selling price reductions and higher restructuring costs.

E-Systems

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

	Nine Months Ended	
	September 30, 2023	October 1, 2022
Net sales	$ 4,419.7	$ 3,846.2
Segment earnings [1]	155.6	64.7
Margin	3.5 %	1.7 %

[1] See definition above

E-Systems net sales were $4.4 billion for the nine months ended September 30, 2023, as compared to $3.8 billion for the nine months ended October 1, 2022, an increase of $0.6 billion or 15%. Higher production volumes on Lear platforms and new business favorably impacted net sales by $0.4 billion and $0.2 billion, respectively.

Segment earnings, including restructuring costs, and the related margin on net sales were $156 million and 3.5% for the nine months ended September 30, 2023, as compared to $65 million and 1.7% for the nine months ended October 1, 2022. Higher production volumes on Lear platforms and new business positively impacted segment earnings by $84 million. The impact of favorable operating performance, including the benefit of operational restructuring actions, and lower restructuring costs was offset by 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):

	Nine Months Ended	
	September 30, 2023	October 1, 2022
Net sales	$ —	$ —
Segment earnings[1]	(263.3)	(230.9)
Margin	N/A	N/A

[1] See definition above

Segment earnings related to our other category were ($263) million in the first nine months of 2023, as compared to ($231) million in the first nine months of 2022, primarily reflecting higher compensation-related costs and costs related to our efficiency initiatives.

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.

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 September 30, 2023 and December 31, 2022, cash and cash equivalents of $713 million and $790 million, respectively, were held in foreign subsidiaries and can be repatriated, primarily through the repayment of intercompany loans and the payment of dividends. There are no material 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 9, "Income Taxes," to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022.

Adequacy of Liquidity Sources

As of September 30, 2023, we had $980 million of cash and cash equivalents on hand and $2.0 billion in available borrowing capacity under our credit agreement. 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 addition, we expect to continue to pay quarterly cash dividends and repurchase shares of our common stock pursuant to our authorized common stock share repurchase program, although such actions are at the discretion of our Board and will depend upon our financial condition, results of operations, capital requirements, prevailing market conditions, alternative uses of capital and other factors that our Board may consider at its discretion.

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, as well as restructuring activities, automotive industry conditions, the financial condition of our customers and suppliers, supply chain disruptions and other related factors. Additionally, an economic downturn or further reduction in production levels could negatively impact our financial condition.

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 and Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2022, as supplemented and updated by Part II — Item 1A, "Risk Factors," in this Report.

Cash Flows

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

	Nine Months Ended		
	September 30, 2023	October 1, 2022	Increase (Decrease) in Cash Flow
Consolidated net income and depreciation and amortization	$ 953	$ 706	$ 247
Net change in working capital items:			
Accounts receivable	(615)	(797)	182
Inventory	(185)	(112)	(73)
Accounts payable	371	571	(200)
Accrued liabilities and other	175	123	52
Net change in working capital items	(254)	(215)	(39)
Other	(19)	(7)	(12)
Net cash provided by operating activities	$ 680	$ 484	$ 196
Net cash used in investing activities	$ (603)	$ (617)	$ 14
Net cash used in financing activities	$ (208)	$ (313)	$ 105

Operating Activities

In the first nine months of 2023 and 2022, net cash provided by operating activities was $680 million and $484 million, respectively. The overall increase in operating cash flow primarily reflects our higher earnings in the first nine months of 2023, as compared to the first nine months of 2022.

Investing Activities

Net cash used in investing activities was $603 million in the first nine months of 2023, as compared to $617 million in the first nine months of 2022. In the first nine months of 2023, we paid $175 million for our acquisition of IGB. In the first nine months of 2022, we paid $184 million for our acquisition of Kongsberg ICS. Capital spending was $433 million in the first nine months of 2023, as compared to $443 million in the first nine months of 2022. Capital spending is estimated to be $675 million in 2023.

Financing Activities

Net cash used in financing activities was $208 million in the first nine months of 2023, as compared to $313 million in the first nine months of 2022. In the first nine months of 2023, we borrowed $150 million under our Term Loan and paid $138 million for repurchases of our common stock, $137 million in dividends to Lear stockholders and $74 million in dividends to noncontrolling interest holders. In the first nine months of 2022, we paid $75 million for repurchases of our common stock, $139 million in dividends to Lear stockholders and $85 million in dividends to noncontrolling interest holders.

Capitalization

Short-Term Borrowings

We utilize uncommitted lines of credit as needed for our short-term working capital fluctuations. As of September 30, 2023 and December 31, 2022, we had lines of credit from banks totaling $272 million and $298 million, respectively. As of September 30, 2023 and December 31, 2022, we had short-term debt balances outstanding related to draws on our lines of credit of $27 million and $10 million, respectively.

Senior Notes and Credit Agreement

For information related to our senior notes and credit agreement, see Note 9, "Debt," to the condensed consolidated financial statements included in this Report and Note 7, "Debt," to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022.

Term Loan

On May 1, 2023, we borrowed $150 million under our Term Loan to finance, in part, the acquisition of IGB.

For further information related to our acquisition of IGB and our Term Loan, see Note 3, "Acquisitions," and Note 9, "Debt," to the condensed consolidated financial statements included in this Report.

Common Stock Share Repurchase Program and Quarterly Cash Dividends

For information related to our common stock share repurchase program and dividends, see "— Executive Overview — Share Repurchase Program and Quarterly Cash Dividends" above, Note 16, "Comprehensive Income (Loss) and Equity," to the condensed consolidated financial statements included in this Report and Note 12, "Capital Stock, Accumulated Other Comprehensive Loss and Equity," to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022.

Commodity Prices and Availability

Raw material, energy and commodity costs can be volatile, reflecting, among other things, changes in supply and demand, logistics issues, global trade and tariff policies, and geopolitical issues. We have commodity price risk with respect to purchases of certain raw materials, including steel, copper, diesel fuel, chemicals, resins and leather. Our primary commodity cost exposures relate to steel, copper and leather. We have developed and implemented strategies to mitigate the impact of such costs through the selective in-sourcing of components, the continued consolidation of our supply base, longer-term purchase commitments, contractual recovery mechanisms and the selective expansion of low-cost country sourcing and engineering, as well as value engineering and product benchmarking. Further, 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 purchased components. Additionally, approximately 91% of our copper purchases and a significant portion of our leather and direct steel purchases are subject to price index agreements with our customers and suppliers. Certain of these strategies also may limit our opportunities in a declining commodity price environment. In the current environment of elevated raw material, energy and commodity costs, these strategies, together with commercial negotiations with our customers and suppliers, have offset a significant portion of the adverse impact. 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, 2022, as supplemented and updated by Part II — Item 1A, "Risk Factors," in this Report.

For further information related to the financial instruments described above, see Note 19, "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 September 30, 2023, we have recorded reserves for pending legal disputes, including commercial and contractual disputes, product liability claims and other legal matters, of $15 million. In addition, as of September 30, 2023, we have recorded reserves for warranty and recall matters of $30 million and environmental matters of $6 million. 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, 2022. For a more complete description of our outstanding material legal proceedings, see Note 17, "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. Accordingly, 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, 2022. There have been no significant changes in our significant accounting policies or critical accounting estimates during the first nine months of 2023.

Recently Issued Accounting Pronouncements

For information on the impact of recently issued accounting pronouncements, see Note 20, "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;
- increases in the costs and restrictions on the availability of raw materials, energy, commodities and product components and our ability to mitigate such costs and insufficient availability;
- 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, including the risk of war or other geopolitical conflicts;
- 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, including disruptions, involving us or our significant customers or suppliers or that otherwise affect us;
- the operational and financial success of our joint ventures;
- our ability to attract, develop, engage and retain qualified employees;
- our ability to respond to the evolution of the global transportation industry;
- the outcome of an increased emphasis on global climate change and other sustainability matters by stakeholders;
- the impact of global climate change;
- the impact and timing of program launch costs and our management of new program launches;

- 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;
- limitations imposed by our existing indebtedness and our ability to access capital markets on commercially reasonable terms;
- 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; and
- other risks described in Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2022, and in our other Securities and Exchange Commission 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 3 — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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):

	September 30, 2023	December 31, 2022
Notional amount (contract maturities < 24 months)	$ 2,324	$ 2,306
Fair value	127	63

Currently, our most significant foreign currency transactional exposures relate to the Mexican peso, various European currencies, the Chinese renminbi, the Honduran lempira, the Brazilian real and the Japanese yen.

A sensitivity analysis of our net transactional exposure is shown below (in millions):

		Potential Earnings Benefit (Adverse Earnings Impact)	
	Hypothetical Strengthening % [1]	September 30, 2023	December 31, 2022
U.S. dollar	10%	$ 19	$ 8
Euro	10%	31	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]	September 30, 2023	December 31, 2022
U.S. dollar	10%	$ 80	$ 84
Euro	10%	103	70

(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 2022, net sales outside of the United States accounted for 77% 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.

Interest Rates

Our variable rate obligations are sensitive to changes in interest rates. As of September 30, 2023, we had $150 million outstanding under our Term Loan. Advances under the Term Loan generally bear interest based on the Daily or Term SOFR (as defined in the Term Loan agreement) plus a margin determined in accordance with a pricing grid that ranges from 1.00% to 1.525%.

A hypothetical 100 basis point increase in interest rates on our Term Loan would increase annual interest expense and related cash interest payments by approximately $2 million.

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) 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 September 30, 2023, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. In April 2023, the Company completed the acquisition of I.G. Bauerhin ("IGB") and is currently integrating IGB into its operations, compliance programs and internal control processes. IGB constituted less than 2% of the Company's total assets as of September 30, 2023, including goodwill and intangible assets recorded as part of the purchase price allocations, and approximately 1% of the Company's net sales for the three months ended September 30, 2023. Securities and Exchange Commission rules and regulations allow companies to exclude acquisitions from their assessment of the internal control over financial reporting during the first year following an acquisition while integrating the acquired company. The Company will exclude the acquired operations of IGB from its assessment of the Company's internal control over financial reporting as of December 31, 2023.

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, 2022. For a description of our outstanding material legal proceedings, see Note 17, "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, 2022.

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 — Executive Overview — Share Repurchase Program and Quarterly Cash Dividends," and Note 16, "Comprehensive Income (Loss) and Equity," to the condensed consolidated financial statements included in this Report, we have a remaining repurchase authorization of $1,091.4 million under our ongoing common stock share repurchase program.

A summary of the shares of our common stock repurchased during the quarter ended September 30, 2023, is shown below:

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 2, 2023 through July 29, 2023	$ 4,426	$144.55	$ 4,426	$ 1,165.7
July 30, 2023 through August 26, 2023	265,703	$145.11	265,703	1,127.1
August 27, 2023 through September 30, 2023	251,423	$141.92	251,423	1,091.4
Total	$ 521,552	$143.57	$ 521,552	$ 1,091.4

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ITEM 5 — OTHER INFORMATION

Rule 10b5-1 Trading Plan

Raymond E. Scott, President and Chief Executive Officer, entered into a pre-arranged stock trading plan on September 14, 2023. Mr. Scott's plan provides for potential sales of up to 23,528 shares of Lear Corporation common stock through June 28, 2024.

The trading plan was entered into during an open insider window and is intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Securities Exchange Act of 1934, as amended, and the Company's policies regarding transactions in its securities.

ITEM 6 — EXHIBITS

Exhibit Index

	Exhibit Number		Exhibit Name
**	10.1	*	Lear Corporation Outside Directors Compensation Plan, amended and restated effective May 16, 2024.
**	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.
**	99.1	*	Lear Corporation Incentive Based Compensation Recoupment Policy.
***	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

*	Compensatory plan or arrangement.
**	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.

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 26, 2023	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

LEAR CORPORATION
OUTSIDE DIRECTORS COMPENSATION PLAN

As Amended and Restated Effective [May 16, 2024]

LEAR CORPORATION
OUTSIDE DIRECTORS COMPENSATION PLAN

Article 1. Establishment, Objectives and Duration

1.1 Amendment and Restatement of Plan. Lear Corporation, a Delaware corporation, hereby amends and restates the compensation plan for non-employee directors known as the "Lear Corporation Outside Directors Compensation Plan" (hereinafter referred to as the "Plan"), as set forth in this document.

1.2 Plan Objectives. The objectives of the Plan are to give the Company an advantage in attracting and retaining Outside Directors and to link the interests of Outside Directors to those of the Company's stockholders.

1.3 Duration of the Plan. The Plan commenced on January 1, 2004 and will remain in effect until the Board of Directors terminates it pursuant to Section 8.1.

Article 2. Definitions

The following defined terms have the meanings set forth below:

"Account" means a notional account in the Outside Director's name to which compensation not immediately payable to him or her and, if applicable, interest earned thereon, is credited.

"Affiliate" means any person that, directly or indirectly, is in control of, is controlled by, or is under common control with, the Company.

"Annual Retainer" means the retainer fee established by the Board in accordance with Section 5.1 and paid to an Outside Director for services performed as a member of the Board of Directors for a Plan Year.

"Beneficiary" means the person entitled under Section 6.5 to receive payment of the balances remaining in an Outside Director's Account in case the Outside Director dies before the entire balance in that Account has been paid.

"Board" or **"Board of Directors"** means the Board of Directors of the Company.

"Change in Control" of the Company will be deemed to have occurred (as of a particular day, as specified by the Board) as of the first day any one or more of the following paragraphs is satisfied.

(a) Any Person (other than the Company or a trustee or other fiduciary holding securities under an employee benefit plan of the Company, or a corporation owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company) becomes the Beneficial Owner, directly or indirectly, of securities of the Company, representing more than twenty percent (20%) of the combined voting power of the Company's then outstanding securities.

(b) During any period of twenty-four (24) consecutive months beginning on or after the Effective Date, individuals who at the beginning of the period constituted the Board cease for any reason (other than death, Disability or Retirement) to constitute a majority of the Board. For this purpose, any new Director whose election by the Board, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds (2/3) of the Directors then still in office, and who either were Directors at the beginning of the period or whose election or nomination for election was so approved, will be deemed to have been a Director at the beginning of any twenty-four (24) month period under consideration.

(c) Consummation of: (i) a sale or disposition of all or substantially all the Company's assets; or (ii) a merger, consolidation or reorganization of the Company with or involving any other corporation, other than a merger, consolidation or reorganization that results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the combined voting power of the voting securities of the Company (or such surviving entity) outstanding immediately after such merger, consolidation, or reorganization.

(d) The shareholders of the Company approve a plan of complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, if an amount is "deferred compensation" for purposes of Code Section 409A, and if payment of such amount would be accelerated or otherwise triggered upon a "Change in Control," then the foregoing definition is modified, to the extent necessary to avoid the imposition of an excise tax under Code Section 409A, to mean a "change in control event" as such term is defined for purposes of Code Section 409A. For purposes of clarity, if an amount would, for example, vest and be paid on a "Change in Control" as defined herein but payment of such amount would violate the provisions of Code Section 409A, then the amount shall vest but will be paid only in compliance with its terms and Code Section 409A (*i.e.*, upon a permissible payment event).

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor to it.

"Committee Meeting Fee" means the fee established by the Board in accordance with Section 5.1 and paid to an Outside Director for each attendance at a meeting of a Board committee (including telephonic meetings but excluding execution of unanimous written consents).

"Common Stock Fair Market Value" means the average of the high and low prices of publicly traded Shares on the national exchange on which the Shares are listed as of a particular date.

"Company" means Lear Corporation, a Delaware corporation, and any successor thereto as provided in Section 8.3.

“Deferral Election” has the meaning ascribed to it in Section 6.1.

“Director” means any individual who is a member of the Board of Directors.

“Disability” means the individual is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

“Effective Date” has the meaning ascribed to it in Article 7.

“Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time, or any successor to it.

“Installment Payment” has the meaning ascribed to it in Section 5.1.

“Meeting Fee” means the fee established by the Board in accordance with Section 5.1 and paid to an Outside Director for each attendance at a meeting of the Board of Directors (including telephonic meetings but excluding execution of unanimous written consents).

“Non-Executive Chairman” means the Outside Director selected by the Board as the non-executive Chairman of the Board.

“Outside Director” means a Director who, at the time in question, is not an employee of the Company or any of its Affiliates.

“Plan” has the meaning ascribed to it in Section 1.1.

“Plan Year” means the 12 month period beginning on January 1 and ending on the next following December 31.

“Plan Year Account” for a given Plan Year means the portion of a Participant’s Account attributable to compensation deferred for such Plan Year.

“Presiding Director” means the Outside Director selected by the other Outside Directors as the presiding Director at meetings of the Outside Directors held in accordance with applicable rules of any securities exchange on which the Company’s securities are listed.

“Retirement” means a Separation from Service (a) upon or after attaining 70 years of age, or (b) upon or after serving six years as a Director, or (c) upon such other circumstances that the Board, in its sole discretion, affirmatively determines not to be adverse to the best interests of the Company.

“Separation from Service” or “Separate from Service” means ceasing to be a Director of the Company for any reason. Notwithstanding anything to the contrary, the determination of whether an individual has had a Separation from Service will be made in accordance with Code Section 409A and the regulations thereunder.

“Shares” means the shares of common stock, $.01 par value, of the Company, including their associated preferred share purchase rights, if any.

"Termination Date" means the date on which an Outside Director has a Separation from Service.

Article 3. Administration

3.1 The Board of Directors. The Plan will be administered by the Board of Directors. The Board of Directors will act by a majority of its members at the time in office and eligible to vote on any particular matter, and may act either by a vote at a meeting or by unanimous written consent without a meeting.

3.2 Authority of the Board of Directors. Except as limited by law and subject to the provisions herein, the Board of Directors has full power to: construe and interpret the Plan and any agreement or instrument entered into under the Plan; establish, amend or waive rules and regulations for the Plan's administration; and amend the terms and conditions of the Plan. Further, the Board of Directors will make all other determinations which may be necessary or advisable for the administration of the Plan. As permitted by law and consistent with Section 3.1, the Board of Directors may delegate some or all of its authority under this Plan.

3.3 Decisions Binding. All determinations and decisions made by the Board of Directors pursuant to the provisions of the Plan will be final, conclusive and binding on all persons, including the Company, its stockholders, all Affiliates, Outside Directors and their estates and beneficiaries.

Article 4. Eligibility

Each Outside Director of the Board during a Plan Year will participate in the Plan for that year.

Article 5. Annual Retainer and RSU Grant

5.1 Amount Payable in Cash. Each Outside Director will be entitled to receive an Annual Retainer in the amount determined from time to time by the Board. Until changed by resolution of the Board of Directors, the Annual Retainer will be $135,000 for each Outside Director, provided that the Annual Retainer for the Presiding Director will be $135,000 plus an additional $10,000 (totaling $145,000) and the Annual Retainer for the Non-Executive Chairman will be $135,000 plus an additional $80,000 (totaling $215,000). In addition, the Annual Retainer for the chair of the Audit Committee will be $135,000 plus an additional $30,000 (totaling $165,000), the Annual Retainer for the chair of the People and Compensation Committee will be $135,000 plus an additional $25,000 (totaling $160,000), and the Annual Retainer for the chair of the Governance and Sustainability Committee will be $135,000 plus an additional $25,000 (totaling ($160,000).

To the extent the Outside Director has not made a Deferral Election with respect to the Annual Retainer, it will be paid in monthly cash installments (the "Installment Payments") to the Outside Director, payable on the last business day of the month preceding the month to which the installment applies. Each Installment Payment to an Outside Director will equal the quotient of the Outside Director's Annual Retainer divided by twelve. Any Outside Director who first becomes an Outside Director during a calendar month will be entitled to an Installment Payment for that month unless, immediately before becoming an Outside Director, he or she was a Director who was an employee of the Company or any of its Affiliates.

No Meeting Fees shall be paid with respect to the first twelve meetings of the Board attended by an Outside Director in any Plan Year. Each Outside Director will be entitled to receive a Meeting Fee, in the amount determined from time to time by the Board, for each meeting of the Board he or she attends that is in excess of twelve meetings within a Plan Year (including telephonic meetings but excluding execution of unanimous written consents). Until changed by resolution of the Board of Directors, the Meeting Fee will be $1,500. Unless the Outside Director has made a Deferral Election with respect to them, Meeting Fees, if any, will be paid on the last business day of the month in which the meeting was attended (at the same time as the Installment Payment for the next month). No Meeting Fees shall be paid with respect to meetings of any standing committee of the Board (*e.g.*, Audit Committee, People and Compensation Committee and Governance and Sustainability Committee) attended by an Outside Director. Committee Meeting Fees for meetings of any special committee of the Board will be established at the time the Board establishes such committee.

5.2 RSU Grant. Each Outside Director will be entitled to receive a grant of restricted stock units ("RSUs"), which grant will be made under the Lear Corporation 2019 Long-Term Stock Incentive Plan (As Amended and Restated as of May 18, 2023), or a successor plan (the "LTSIP"), as of the date of any annual meeting of the stockholders of the Company at which such Outside Director is elected or re-elected to serve in such position. Each RSU is a notional amount that represents one unvested Share and constitutes the right, subject to the terms and conditions of the LTSIP and the applicable award agreement thereunder, to distribution of a Share if and when the RSU vests. The amount of the RSU grant will be determined from time to time by the Board. Until changed by resolution of the Board of Directors, the number of Shares subject to each RSU grant for each Outside Director will be equal to $175,000 divided by the Common Stock Fair Market Value on the date of the grant, provided that the grant date value of the grant of RSUs for the Non-Executive Chairman shall be an additional $120,000. The grant of RSUs shall vest on the earlier of (i) the first (1st) anniversary of the date of grant and (ii) the date of the next annual meeting of the stockholders of the Company following the date of grant that is at least fifty (50) weeks following the immediately preceding year's annual meeting, subject to forfeiture in the event that an Outside Director ceases to be an Outside Director for any reason, including resignation or removal (with or without cause). Notwithstanding anything herein to the contrary, each RSU grant made pursuant to this Section 5.2 will be subject to the terms and conditions of the LTSIP and the applicable award agreement thereunder.

Article 6. Deferral

6.1 Deferral Election. Any Outside Director may elect to defer all or a portion of the compensation payable to him or her under Section 5.1 for the Plan Year by filing with the Secretary of the Company a written notice to that effect (a "Deferral Election"), on a form provided by the Company. A Deferral Election must be filed before the first day of the Plan Year to which it relates. Notwithstanding the foregoing, an election may be filed within 30 days after a Director first becomes an Outside Director; provided, however, the amount of compensation deferred pursuant to such election will not exceed the portion of the Outside

Director’s compensation earned after the date the election is made. A Deferral Election may not be revoked or modified with respect to compensation payable for any Plan Year for which it is effective. An Outside Director may terminate or modify his or her current Deferral Election by filing a new Deferral Election before the first day of the Plan Year to which such termination or modification applies.

6.2 Interest. All amounts deferred pursuant to Section 6.1 will be credited to the Outside Director’s applicable Plan Year Account as of the date the compensation would otherwise have been payable, notwithstanding the Deferral Election. The amounts credited to the Plan Year Account will be credited with interest, compounded monthly, from the date the compensation would otherwise have been payable under Section 5.1 until the amount credited to the Account is paid to the Outside Director. The rate of interest credited under the previous sentence will be the prime rate of interest as reported by the Midwest edition of the Wall Street Journal for the second business day of each quarter on an annual basis.

6.3 Distributions. The value of an Outside Director’s Plan Year Accounts will be distributed, or will begin to be distributed, to him or her or, in the event of his or her death, to his or her Beneficiary, within 10 days following the earliest of:

(a) the date specified by the Outside Director in his or her Deferral Election for each such Plan Year Account;

(b) the Outside Director’s Termination Date; and

(c) the date on which a Change in Control occurs.

Each Plan Year Account will be paid to the Outside Director in a lump sum or in annual installments in accordance with his or her Deferral Election for such Plan Year Account. If an Outside Director fails to elect a payout form for any Plan Year, his or her Plan Year Account with respect to any such Plan Year will be paid in a single lump sum.

If an Outside Director elects to receive payment of a Plan Year Account in annual installments, the payment period for the annual installments will not exceed five years. The amount of each annual installment payment will equal the product of (a) the balance in the Outside Director’s Plan Year Account on the date the payment is made multiplied by (b) a fraction, the numerator of which is one and the denominator of which is the number of unpaid remaining annual installments. The balance of the Plan Year Account will be appropriately reduced to reflect any Installment Payments already made hereunder. Notwithstanding the foregoing, in the event of a Change in Control, the balance remaining in an Outside Director’s Account will be paid in a single lump sum payment within 10 days following the Change in Control.

If an Outside Director dies before he or she has received payment of all amounts due hereunder, the balances remaining in the Outside Director’s Account will be distributed to his or her Beneficiary in a single lump sum payment within 90 days following the Outside Director’s death.

6.4 RSU Grant Deferral. The Board may establish rules and procedures to permit Outside Directors to defer RSU grants made pursuant to Section 5.2, as it deems appropriate and in compliance with Code Section 409A.

6.5 Beneficiary. An Outside Director may designate any person to whom payments are to be made if the Outside Director dies before receiving payment of all amounts due hereunder. A Beneficiary Designation form becomes effective only after the signed form is filed with the Secretary of the Company while the Outside Director is alive, and will cancel any prior Beneficiary Designation form. If the Outside Director fails to designate a Beneficiary or if all designated Beneficiaries predecease the Outside Director, the Outside Director's Beneficiary will be his or her estate.

Article 7. Effective Date.

This amended and restated Plan is effective as of [May 16, 2024] (the "Effective Date") and will remain in effect as provided in Section 1.3 hereof.

Article 8. Miscellaneous

8.1 Modification and Termination. The Board may at any time and from time to time, alter, amend, modify or terminate the Plan in whole or in part.

8.2 Indemnification. To the extent permissible under applicable law and under the Company's Certificate of Incorporation and By-Laws, each person who is or has been a member of the Board will be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by that person in connection with or resulting from any claim, action, suit, or proceeding to which that person may be a party or in which that person may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by that person in a settlement approved by the Company, or paid by that person in satisfaction of any judgment in any such action, suit, or proceeding against that person, provided he or she gives the Company an opportunity, at its own expense, to handle and defend the action, suit or proceeding before that person undertakes to handle and defend it. The foregoing right of indemnification will not be exclusive of any other rights of indemnification to which an individual may be entitled under the Company's Certificate of Incorporation or By-Laws, as a matter of law, or otherwise, or any power that the Company may have to indemnify him or her or hold him or her harmless.

8.3 Successors. All obligations of the Company under the Plan with respect to a given Plan Year will be binding on any successor to the Company, whether the existence of the successor is the result of a direct or indirect purchase of all or substantially all of the business and/or assets of the Company, or a merger, consolidation, or otherwise.

8.4 Reservation of Rights. Nothing in this Plan or in any award agreement hereunder will be construed to limit in any way the right of the Company's stockholders to remove an Outside Director from the Board of Directors.

Article 9. Legal Construction

9.1 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein will also include the feminine; the plural will include the singular and the singular will include the plural.

9.2 Severability. If any provision of the Plan is held illegal or invalid for any reason, the illegality or invalidity will not affect the remaining parts of the Plan, and the Plan will be construed and enforced as if the illegal or invalid provision had not been included.

9.3 Requirements of Law. The issuance of payments under the Plan will be subject to all applicable laws, rules, and regulations, and to any approvals required by any governmental agencies or national securities exchanges.

9.4 Securities Law and Tax Law Compliance.

(a) **Insider Trading.** To the extent any provision of the Plan or action by the Board would subject any Outside Director to liability under Section 16(b) of the Exchange Act, it will be deemed null and void, to the extent permitted by law and deemed advisable by the Board.

(b) **Section 409A.** This Plan is intended to comply with Code Section 409A and the regulations thereunder, and will be administered and interpreted in accordance with such intent. If the Company determines that any provision of the Plan is or might be inconsistent with the requirements of Code Section 409A, it will attempt in good faith to make such changes to the Plan as may be necessary or appropriate to avoid an Outside Director becoming subject to adverse tax consequences under Code Section 409A. No provision of the Plan will be interpreted to transfer any liability for a failure to comply with Code Section 409A from an Outside Director or any other individual to the Company.

9.5 Unfunded Status of the Plan. The Plan is intended to constitute an “unfunded” plan. With respect to any payments not yet made to an Outside Director by the Company, nothing contained herein will give any rights to an Outside Director that are greater than those of a general creditor of the Company.

9.6 Governing Law. The Plan will be construed in accordance with and governed by the laws of the State of Michigan, determined without regard to its conflict of law rules.

9.7 Nontransferability. An Outside Director’s Account and any RSUs granted hereunder may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution, or pursuant to a domestic relations order (as defined in Code Section 414(p)). All rights with respect to Accounts and RSUs will be available during the Outside Director’s lifetime only to the Outside Director or the Outside Director’s guardian or legal representative. The Board of Directors may, in its discretion, require an Outside Director’s guardian or legal representative to supply it with evidence the Board of Directors deems necessary to establish the authority of the guardian or legal representative to act on behalf of the Outside Director.

* * * * *

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 26, 2023 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 26, 2023 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 September 30, 2023, 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 26, 2023	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 September 30, 2023, 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 26, 2023	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.

LEAR CORPORATION
Incentive Based Compensation Recoupment Policy

1. **Purpose**. The purpose of the Lear Corporation Incentive Based Compensation Recoupment Policy (the "***Policy***") is to set forth the circumstances in which Lear Corporation and its subsidiaries and affiliates, as applicable (collectively, the "***Company***") will recover the amount of erroneously received Incentive Based Compensation (as defined below) received by a current or former Executive Officer (as defined below) in the event that the Company is required to prepare an Accounting Restatement (as defined below).

2. **Definitions**. For purposes of this Policy, the following terms have the definitions set forth below:

A. "***Accounting Restatement***" shall mean the required revision of a previously issued financial statement for correction of an error in such financial statement that is (i) due to the material noncompliance of the Company with any applicable financial reporting requirement under the U.S. federal securities laws, including any required accounting restatement to correct an error in a previously issued financial statement that is material to such previously issued financial statement, or (ii) not material to a previously issued financial statement, but would result in a material misstatement of a current financial statement if the error were corrected in the then-current period or left uncorrected in the current period.

B. "***Board***" shall mean the Board of Directors of the Company.

C. "***Committee***" shall mean the People and Compensation Committee of the Board.

D. "***Effective Date***" shall mean October 2, 2023.

E. "***Erroneously Received Compensation***" shall mean, with respect to each Executive Officer and in connection with any Accounting Restatement, the amount of Incentive Based Compensation Received by such Executive Officer that exceeds the amount of Incentive Based Compensation that would have been received by such Executive Officer had it been determined based on the restated amounts set forth in the Accounting Restatement.

F. "***Executive Officer***" shall mean any current or former "officer" of the Company within the meaning of 17 CFR § 240.16a-1(f).

G. "***Financial Reporting Measures***" shall mean financial measures that are used for evaluating the attainment of Incentive Based Compensation and that are determined in accordance with the accounting principles used in preparing the Company's financial statements, as well any financial measures that are derived wholly or in part from such measures. For purposes of this Policy, the Company's stock price and Total Shareholder Return shall be considered Financial Reporting Measures. A Financial Reporting Measure need not be presented within the financial statements or included in a filing with the SEC.

H. "***Incentive Based Compensation***" shall mean compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

I. "***NYSE***" shall mean the New York Stock Exchange.

J. "***Received***" shall mean when a Financial Reporting Measure specified in an Incentive Based Compensation award is attained. Incentive Based Compensation is deemed received in the Company's fiscal period during which the Financial Reporting Measure was attained, even if the payment, distribution or grant of the Incentive Based Compensation occurs after the end of such fiscal period.

K. "***Restatement Date***" shall mean the earlier to occur of (i) the date upon which the Board, the Committee or the officers of the Company authorized to take such action, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date upon which a court, regulator or other legally authorized body directs the issuer to prepare an Accounting Restatement in a final, non-appealable order or judgement.

L. "***SEC***" shall mean the U.S. Securities and Exchange Commission.

M. "***Total Shareholder Return***" shall mean generally any measure that is used for evaluating the attainment of Incentive Based Compensation that, as to any applicable performance period, is based on the total return (change in stock price plus reinvestment of any dividends) of a share of common stock. For purposes of applying this Policy to a particular award or payment of Incentive Based Compensation, the Committee shall generally follow the same definition and goal-measurement process as set forth or followed with respect to such award or payment of Incentive Based Compensation when determining if Total Shareholder Return has resulted in Erroneously Received Compensation, subject to any further modification or adjustment in the sole discretion of the Committee permitted hereunder.

3. **Application**.
   A. This Policy applies to all Incentive Based Compensation received by a current or former Executive Officer: (i) where the Incentive Based Compensation was received during the three completed fiscal years immediately preceding the date that the Company is required to prepare an Accounting Restatement (and was received both after the Effective Date and while the Company has a class of securities listed on a national securities exchange or a national securities association), and (ii) where the individual served as an Executive Officer at any time during the performance period for such Incentive Based Compensation but only after beginning service as an Executive Officer (and, for the avoidance of doubt, not while an individual was serving in a non-executive capacity prior to becoming an Executive Officer).
   B. Notwithstanding Paragraph A of this Section 3, the Policy also applies during (i) any transition period that results from a change in the Company's fiscal year within or immediately following the three completed fiscal year period, and (ii)

any transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months would be deemed a completed fiscal year.

4. **Recovery of Erroneously Received Incentive Based Compensation**.
   A. In the event of an Accounting Restatement, the Company shall promptly determine the amount of any Erroneously Received Compensation for each Executive Officer in connection with such Accounting Restatement and shall provide written notice to each Executive Officer of (i) the Restatement Date, (ii) the amount of Erroneously Received Compensation received, and (iii) the method, manner, and time for repayment or return or such Erroneously Received Compensation, as applicable. The amount of Incentive Based Compensation that is subject to recovery will be computed without regard to any taxes paid.

   B. The Committee shall have the discretion to reasonably determine the appropriate means of recovery of such Erroneously Received Compensation based on applicable facts and circumstances. If an Executive Officer fails to repay Erroneously Received Compensation to the Company by the time and in the manner set forth in writing by the Committee, the Company shall take reasonable and appropriate action to recover the Erroneously Received Compensation from the Executive Officer. The Executive Officer shall be required to reimburse the Company for all expenses reasonably incurred by the Company in recovering Erroneously Received Compensation.

   C. For Incentive Based Compensation based on the Company's stock price or Total Shareholder Return:

      i. the amount will be based on a reasonable estimate of the effect of the accounting restatement on the Company's stock price or Total Shareholder Return upon which the Incentive Based Compensation was received; and
      ii. the Company will maintain documentation of the determination of that reasonable estimate and provide such documentation to the NYSE.

5. **Recovery Exceptions**. The Company will recover Erroneously Received Compensation in accordance with this Policy, except to the extent that any of the following conditions are met and the Committee has determined that recovery would be impracticable:

   A. the direct expense reasonably expected to be paid to a third party to assist in enforcing this policy would exceed the amount to be recovered; *provided* that before concluding that it would be impracticable to recover any amount of erroneously received compensation based on expense of enforcement, the Company will make a reasonable attempt to recover such erroneously received compensation without incurring any third party expense, document such reasonable attempt(s) to recover and provide such documentation to the NYSE;

   B. recovery would violate home country law where that law was adopted prior to November 28, 2022; provided that before concluding that it would be impracticable to recover any amount of Erroneously Received Compensation based on violation of home country law, the Company will obtain an opinion of home country counsel, acceptable to the NYSE, that recovery would result in such a violation and provide such opinion to the NYSE; or

C. recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

6. **Reporting and Disclosure Requirements**. The Company shall file all disclosures with respect to this Policy in accordance with the requirement of the federal securities laws, including the disclosure required by the applicable SEC filings.

7. **Indemnification Prohibition**. The Company will not indemnify any current or former Executive Officer against the loss of erroneously received Incentive Based Compensation.

8. **Other Recoupment Rights**. This Policy is not intended to limit the Company's ability to pursue other means to recover damages resulting from wrongdoing. The Company retains all rights it may have under applicable law.

9. **Administration**. The Committee shall have sole discretion in making all determinations under this Policy. Any determinations of the Committee shall be binding on the Executive Officer.

10. **Amendment**. This Policy may be amended from time to time in the Committee's sole discretion.

11. **Compliance with the Exchange Act**. Notwithstanding the foregoing, this Policy shall be interpreted and administered consistent with the applicable securities laws, including the requirements of (i) Section 10D of the Securities Exchange Act of 1934, as amended (the "***Exchange Act***"), as added by Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, (ii) Rule 10D-1 under the Exchange Act, and (iii) the listing standards adopted by the NYSE pursuant to Rule 10D-1.

12. **Acknowledgement**. Each Executive Officer shall sign and return to the Company, within 15 calendar days following the later of (i) the Effective Date or (ii) the date the individual becomes an Executive Officer, the Acknowledgement Form attached as **Exhibit A**.

13. **Savings Clause**. To the extent that any of the provisions of this Policy are found by a court of competent jurisdiction to be illegal, invalid, or unenforceable for any reason, such provision shall be deleted, and the balance of this Policy shall not be affected.

Approved and Adopted: September 20, 2023

EXHIBIT A

LEAR CORPORATION

INCENTIVE-BASED COMPENSATION RECOVERY POLICY

ACKNOWLEDGEMENT AND ACCEPTANCE FORM

By signing this Acknowledgement and Acceptance Form below, the undersigned (the "**Executive Officer**") acknowledges and confirms that the Executive Officer has received and reviewed a copy of the Incentive-Based Compensation Recovery Policy (the "**Policy**") of Lear Corporation and its subsidiaries and affiliates, as applicable (collectively, the "**Company**").

In consideration of the Executive Officer's eligibility to receive future Incentive-Based Compensation (as defined in the Policy) and to participate in the Company's Incentive-Based Compensation plans (including, but not limited to, the 2019 Long-Term Incentive Plan and the Annual Incentive Plan), as well as other good and valuable consideration, the receipt and sufficiency of which are acknowledged by the Executive Officer signing this Acknowledgement and Acceptance Form below, the Executive Officer acknowledges and agrees that:

1. the Executive Officer is and will continue to be fully bound by, and subject to, the Policy;

2. in the event of any inconsistency between the Policy and the terms of any employment or separation agreement to which the Executive Officer is a party, or the terms of any compensation plan, program or arrangement under which any Incentive-Based Compensation is granted, awarded, earned or paid, **the terms of the Policy shall govern**;

3. the Policy will apply **both during and after the Executive Officer's employment with the Company**;

4. the Policy will apply **to past and future Incentive-Based Compensation as provided in the Policy**; and

5. the Executive Officer is required to comply with the terms and conditions of the Policy, including, without limitation, the requirement to return any Erroneously Awarded Compensation (as defined in the Policy) to the Company to the extent required by, and in a manner consistent with, the Policy.

Acknowledged and Accepted:
EXECUTIVE OFFICER

Signature:
Print Name: ____________________
Date: ____________________