Table of Contents

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 April 1, 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 ☒ No ☐

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

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

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

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

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

As of April 24, 2023, the number of shares outstanding of the registrant's common stock was 59,022,540 shares.

Table of Contents

LEAR CORPORATION

FORM 10-Q
FOR THE QUARTER ENDED APRIL 1, 2023

INDEX

LEAR CORPORATION AND SUBSIDIARIES

PART I — FINANCIAL INFORMATION

ITEM 1 — CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

We have prepared the unaudited condensed consolidated financial statements of Lear Corporation and subsidiaries pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") have been condensed or omitted pursuant to such rules and regulations. We believe that the disclosures are adequate to make the information presented not misleading when read in conjunction with the financial statements and the notes thereto included in our Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, for the year ended December 31, 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)

	April 1, 2023[1]	December 31, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 898.5	$ 1,114.9
Accounts receivable	4,143.1	3,451.9
Inventories	1,676.2	1,573.6
Other	860.8	853.7
Total current assets	7,578.6	6,994.1
LONG-TERM ASSETS:		
Property, plant and equipment, net	2,840.9	2,854.0
Goodwill	1,666.7	1,660.6
Other	2,318.0	2,254.3
Total long-term assets	6,825.6	6,768.9
Total assets	$ 14,404.2	$ 13,763.0
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings	$ 16.6	$ 9.9
Accounts payable and drafts	3,578.9	3,206.1
Accrued liabilities	1,997.0	1,961.5
Current portion of long-term debt	5.1	10.8
Total current liabilities	5,597.6	5,188.3
LONG-TERM LIABILITIES:		
Long-term debt	2,591.6	2,591.2
Other	1,185.6	1,153.2
Total long-term liabilities	3,777.2	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 April 1, 2023 and December 31, 2022	0.6	0.6
Additional paid-in capital	1,013.4	1,023.1
Common stock held in treasury, 5,550,447 and 5,493,211 shares as of April 1, 2023 and December 31, 2022, respectively, at cost	(761.5)	(753.9)
Retained earnings	5,310.0	5,214.1
Accumulated other comprehensive loss	(704.8)	(805.1)
Lear Corporation stockholders' equity	4,857.7	4,678.8
Noncontrolling interests	171.7	151.5
Equity	5,029.4	4,830.3
Total liabilities and equity	$ 14,404.2	$ 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
(Unaudited; in millions, except share and per share data)

	Three Months Ended	
	April 1, 2023	April 2, 2022
Net sales	$ 5,845.5	$ 5,208.4
Cost of sales	5,415.5	4,886.9
Selling, general and administrative expenses	176.8	177.3
Amortization of intangible assets	15.9	15.7
Interest expense	24.2	24.9
Other expense, net	13.7	27.3
Consolidated income before provision for income taxes and equity in net income of affiliates	199.4	76.3
Provision for income taxes	45.6	20.4
Equity in net income of affiliates	(9.6)	(10.7)
Consolidated net income	163.4	66.6
Less: Net income attributable to noncontrolling interests	19.8	17.2
Net income attributable to Lear	**$ 143.6**	**$ 49.4**
Basic net income per share attributable to Lear (Note 15)	**$ 2.42**	**$ 0.82**
Diluted net income per share attributable to Lear (Note 15)	**$ 2.41**	**$ 0.82**
Cash dividends declared per share	**$ 0.77**	**$ 0.77**
Average common shares outstanding	**59,316,555**	**59,932,030**
Average diluted shares outstanding	**59,558,966**	**60,210,979**
Consolidated comprehensive income (Condensed Consolidated Statements of Equity)	$ 264.1	$ 74.0
Less: Comprehensive income attributable to noncontrolling interests	20.2	17.0
Comprehensive income attributable to Lear	$ 243.9	$ 57.0

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 April 1, 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:						
Net income	—	—	—	143.6	—	143.6
Other comprehensive income	—	—	—	—	100.3	100.3
Total comprehensive income	—	—	—	143.6	100.3	243.9
Stock-based compensation	—	18.9	—	(1.0)	—	17.9
Net issuance of 125,666 shares held in treasury in settlement of stock-based compensation	—	(28.6)	17.5	—	—	(11.1)
Repurchase of 182,902 shares of common stock at average price of $137.24 per share	—	—	(25.1)	—	—	(25.1)
Dividends declared to Lear Corporation stockholders	—	—	—	(46.7)	—	(46.7)
Balance at April 1, 2023	$ 0.6	$ 1,013.4	$ (761.5)	$ 5,310.0	$ (704.8)	$ 4,857.7

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 April 1, 2023		
	Lear Corporation Stockholders' Equity	Non-controlling Interests	Equity
Balance at January 1, 2023	$ 4,678.8	$ 151.5	$ 4,830.3
Comprehensive income:			
Net income	143.6	19.8	163.4
Other comprehensive income	100.3	0.4	100.7
Total comprehensive income	243.9	20.2	264.1
Stock-based compensation	17.9	—	17.9
Net issuance of 125,666 shares held in treasury in settlement of stock-based compensation	(11.1)	—	(11.1)
Repurchase of 182,902 shares of common stock at average price of $137.24 per share	(25.1)	—	(25.1)
Dividends declared to Lear Corporation stockholders	(46.7)	—	(46.7)
Balance at April 1, 2023	$ 4,857.7	$ 171.7	$ 5,029.4

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

Table of Contents

LEAR CORPORATION AND SUBSIDIARIES

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

	Three Months Ended April 2, 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:						
Net income	—	—	—	49.4	—	49.4
Other comprehensive income (loss)	—	—	—	—	7.6	7.6
Total comprehensive income	—	—	—	49.4	7.6	57.0
Stock-based compensation	—	13.9	—	—	—	13.9
Net issuance of 140,712 shares held in treasury in settlement of stock-based compensation	—	(32.9)	15.4	—	—	(17.5)
Dividends declared to Lear Corporation stockholders	—	—	—	(46.8)	—	(46.8)
Dividends declared to noncontrolling interest holders	—	—	—	—	—	—
Change in noncontrolling interests	—	—	—	—	—	—
Balance at April 2, 2022	$ 0.6	$ 1,000.4	$ (663.8)	$ 5,075.4	$ (762.6)	$ 4,650.0

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 April 2, 2022		
	Lear Corporation Stockholders' Equity	Non-controlling Interests	Equity
Balance at January 1, 2022	$ 4,643.4	$ 165.0	$ 4,808.4
Comprehensive income:			
Net income	49.4	17.2	66.6
Other comprehensive income (loss)	7.6	(0.2)	7.4
Total comprehensive income	57.0	17.0	74.0
Stock-based compensation	13.9	—	13.9
Net issuance of 140,712 shares held in treasury in settlement of stock-based compensation	(17.5)	—	(17.5)
Dividends declared to Lear Corporation stockholders	(46.8)	—	(46.8)
Dividends declared to noncontrolling interest holders	—	(6.7)	(6.7)
Change in noncontrolling interests	—	0.6	0.6
Balance at April 2, 2022	$ 4,650.0	$ 175.9	$ 4,825.9

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

Table of Contents

LEAR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in millions)

	Three Months Ended	
	April 1, 2023	April 2, 2022
Cash Flows from Operating Activities:		
Consolidated net income	$ 163.4	$ 66.6
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	147.2	143.4
Net change in recoverable customer engineering, development and tooling	(34.6)	(36.1)
Net change in working capital items (see below)	(311.6)	38.1
Other, net	—	8.7
Net cash provided by (used in) operating activities	(35.6)	220.7
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(111.8)	(130.3)
Acquisition of Kongsberg ICS, net of cash acquired	—	(184.2)
Other, net	2.3	11.9
Net cash used in investing activities	(109.5)	(302.6)
Cash Flows from Financing Activities:		
Repurchase of common stock	(25.1)	—
Dividends paid to Lear Corporation stockholders	(46.8)	(47.4)
Other, net	(10.6)	(23.8)
Net cash used in financing activities	(82.5)	(71.2)
Effect of foreign currency translation	11.0	(3.4)
Net Change in Cash, Cash Equivalents and Restricted Cash	(216.6)	(156.5)
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	$ 900.8	$ 1,164.8
Changes in Working Capital Items:		
Accounts receivable	$ (671.2)	$ (219.1)
Inventories	(93.5)	(49.0)
Accounts payable	352.6	276.9
Accrued liabilities and other	100.5	29.3
Net change in working capital items	$ (311.6)	$ 38.1
Supplementary Disclosure:		
Cash paid for interest	$ 22.0	$ 9.6
Cash paid for income taxes, net of refunds received	$ 45.5	$ 49.9

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

LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

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

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

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

(2) Current Operating Environment

Since 2020, the automotive industry has experienced a decline in global production volumes. Although industry production has recovered modestly, production remains well below recent historic 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. 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 April 1, 2023, and for the three 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 April 1, 2023, will be reflected in management's estimates and assumptions in future periods.

(3) Acquisitions

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.

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 Gruendau-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 transaction is valued at approximately €140 million, on a cash and debt free basis. On April 26, 2023, the Company provided irrevocable notice to borrow $150 million under its delayed-draw term loan facility to finance the acquisition (see Note 9, "Debt").

The acquisition of IGB will be accounted for as a business combination, and accordingly, the assets acquired and liabilities assumed will be recognized at fair value as of the acquisition date. The operating results and cash flows of IGB will be included in the consolidated financial statements from the date of acquisition in the Company's Seating segment.

(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		11.7
Payments, utilizations and foreign currency		(18.3)
Balance at April 1, 2023	$	76.3

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

	Three Months Ended	
	April 1, 2023	April 2, 2022
Employee termination benefits	$ 11.7	$ 27.3
Property, plant and equipment impairments	0.1	0.5
Contract termination costs	0.8	1.0
Other related costs	2.0	1.1
	$ 14.6	$ 29.9

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

	Three Months Ended	
	April 1, 2023	April 2, 2022
Cost of sales	$ 12.9	$ 29.5
Selling, general and administrative expenses	1.7	0.4
	$ 14.6	$ 29.9

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

	Three Months Ended	
	April 1, 2023	April 2, 2022
Seating	$ 12.0	$ 16.6
E-Systems	2.3	13.3
Other	0.3	—
	$ 14.6	$ 29.9

The Company expects to incur approximately $16 million and approximately $3 million of additional restructuring costs in its Seating and E-Systems segments, respectively, related to activities initiated as of April 1, 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):

	April 1, 2023	December 31, 2022
Raw materials	$ 1,252.7	$ 1,216.8
Work-in-process	138.7	126.6
Finished goods	446.6	391.9
Reserves	(161.8)	(161.7)
Inventories	$ 1,676.2	$ 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 three months of 2023 and 2022, the Company capitalized $60.1 million and $63.2 million, respectively, of pre-production E&D costs for which reimbursement is contractually guaranteed by the customer. During the first three months of 2023 and 2022, the Company also capitalized $56.3 million and $46.4 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 three months of 2023 and 2022, the Company collected $80.2 million and $72.9 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):

	April 1, 2023	December 31, 2022
Current	$ 204.3	$ 175.7
Long-term	170.1	161.3
Recoverable customer E&D and tooling	$ 374.4	$ 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):

	April 1, 2023	December 31, 2022
Land	$ 104.8	$ 104.6
Buildings and improvements	876.5	868.6
Machinery and equipment	4,996.0	4,871.5
Construction in progress	352.7	378.0
Total property, plant and equipment	6,330.0	6,222.7
Less – accumulated depreciation	(3,489.1)	(3,368.7)
Property, plant and equipment, net	$ 2,840.9	$ 2,854.0

Depreciation expense was $131.3 million and $127.7 million in the three months ended April 1, 2023 and April 2, 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. The Company will continue to assess the impact of significant industry and other events on the realization of its long-lived assets.

In the first three months of 2023 and 2022, the Company recognized property, plant and equipment impairment charges of $0.1 million and $0.5 million, respectively, in conjunction with its restructuring actions (Note 4, "Restructuring"). In the first three months of 2023 and 2022, the Company recognized additional property, plant and equipment impairment charges of $2.2 million and $1.1 million, respectively. The impairment charges are included in cost of sales in the accompanying condensed consolidated statements of comprehensive income.

Definite-Lived Intangible Assets

In the first three months of 2023, the Company recognized an impairment charge of $0.9 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 for the three months ended April 1, 2023.

(8) Goodwill

A summary of the changes in the carrying amount of goodwill, by operating segment, in the three months ended April 1, 2023, is shown below (in millions):

	Seating	E-Systems	Total
Balance at January 1, 2023	$ 1,261.1	$ 399.5	$ 1,660.6
Foreign currency translation and other	5.7	0.4	6.1
Balance at April 1, 2023	$ 1,266.8	$ 399.9	$ 1,666.7

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 three months of 2023 and 2022. The Company will, however, continue to assess the impact of significant industry and other events on its recorded goodwill.

(9) Debt

Short-Term Borrowings

The Company utilizes uncommitted lines of credit as needed for its short-term working capital fluctuations. As of April 1, 2023 and December 31, 2022, the Company had lines of credit from banks totaling $300.9 million and $298.2 million, respectively. As of April 1, 2023 and December 31, 2022, the Company had short-term debt balances outstanding related to draws on the lines of credit of $16.6 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):

	April 1, 2023				
Debt Instrument	**Long-Term Debt**	**Unamortized Debt Issuance Costs**	**Unamortized Original Issue Premium (Discount)**	**Long-Term Debt, Net**	**Weighted Average Interest Rate**
3.8% Senior Notes due 2027 (the "2027 Notes")	$ 550.0	$ (2.0)	$ (1.7)	$ 546.3	3.885%
4.25% Senior Notes due 2029 (the "2029 Notes")	375.0	(1.9)	(0.7)	372.4	4.288%
3.5% Senior Notes due 2030 (the "2030 Notes")	350.0	(1.9)	(0.6)	347.5	3.525%
2.6% Senior Notes due 2032 (the "2032 Notes")	350.0	(2.7)	(0.7)	346.6	2.624%
5.25% Senior Notes due 2049 (the "2049 Notes")	625.0	(5.8)	13.0	632.2	5.103%
3.55% Senior Notes due 2052 (the "2052 Notes")	350.0	(3.8)	(0.5)	345.7	3.558%
Other	6.0	—	—	6.0	N/A
	$ 2,606.0	$ (18.1)	$ 8.8	$ 2,596.7	
Less — Current portion				(5.1)	
Long-term debt				$ 2,591.6	

	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

Covenants

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 April 1, 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 ("Credit Agreement") expires on October 28, 2026.

As of April 1, 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) the Eurocurrency Rate (as defined in the Credit Agreement) or (ii) the Base Rate (as defined in the Credit Agreement) plus a margin, determined in accordance with a pricing grid. As of April 1, 2023, the ranges and rates are as follows (in percentages):

	Eurocurrency Rate			Base Rate		
	Minimum	Maximum	Rate as of April 1, 2023	Minimum	Maximum	Rate as of April 1, 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.

Covenants

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

As of April 1, 2023, the Company was in compliance with all covenants under the Credit Agreement.

Delayed-Draw Term Loan Facility

In December 2022, the Company entered into an unsecured $150 million committed delayed-draw term loan facility (the "Delayed-Draw Facility") that matures three years after the funding date. The Delayed-Draw Facility will be used to finance the acquisition of IGB. Advances under the Delayed-Draw Facility generally bear interest based on the Daily or Term Secured Overnight Financing Rate ("SOFR"), as defined in the Delayed-Draw Facility agreement, plus a margin determined in accordance with a pricing grid that ranges from 1.00% to 1.525%. As of April 1, 2023, there were no amounts drawn under the Delayed-Draw Facility.

On April 26, 2023, the Company provided irrevocable notice to borrow $150 million under its Delayed-Draw Facility to finance the acquisition of IGB (see Note 3, "Acquisitions").

Covenants

The Delayed-Draw Facility contains the same covenants as the Credit Agreement. As of April 1, 2023, the Company was in compliance with all covenants under the Delayed-Draw Facility.

Other Long-Term Debt

As of April 1, 2023 and 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):

	April 1, 2023	December 31, 2022
Right-of-use assets under operating leases:		
Other long-term assets	$ 724.3	$ 701.8
Lease obligations under operating leases:		
Accrued liabilities	$ 144.8	$ 136.8
Other long-term liabilities	609.2	595.1
	$ 754.0	$ 731.9

Maturities of lease obligations as of April 1, 2023, are shown below (in millions):

	April 1, 2023
2023 [1]	$ 127.6
2024	151.9
2025	129.8
2026	107.6
2027	88.7
Thereafter	238.3
Total undiscounted cash flows	843.9
Less: Imputed interest	(89.9)
Lease obligations under operating leases	$ 754.0

[1] For the remaining nine months

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

	Three Months Ended	
	April 1, 2023	April 2, 2022
Non-cash activity:		
Right-of-use assets obtained in exchange for operating lease obligations	$ 64.8	$ 62.5
Operating cash flows:		
Cash paid related to operating lease obligations	$ 44.3	$ 40.4

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

	Three Months Ended	
	April 1, 2023	April 2, 2022
Operating lease expense	$ 44.2	$ 41.4
Short-term lease expense	5.1	5.4
Variable lease expense	2.6	2.0
Total lease expense	$ 51.9	$ 48.8

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

	April 1, 2023
Weighted average remaining lease term	Seven years
Weighted average discount rate	3.6 %

The Company is party to a finance lease agreement, which is 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			
	April 1, 2023		April 2, 2022	
	U.S.	Foreign	U.S.	Foreign
Service cost	$ —	$ 0.8	$ —	$ 1.0
Interest cost	5.2	4.1	3.9	2.9
Expected return on plan assets	(5.0)	(4.0)	(6.0)	(4.4)
Amortization of actuarial loss	0.2	0.5	0.5	1.1
Settlement (gain) loss	(0.1)	—	0.4	—
Net periodic benefit (credit) cost	$ 0.3	$ 1.4	$ (1.2)	$ 0.6

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

	Three Months Ended			
	April 1, 2023		April 2, 2022	
	U.S.	Foreign	U.S.	Foreign
Interest cost	$ 0.4	$ 0.2	$ 0.4	$ 0.2
Amortization of actuarial gain	(0.9)	—	(0.3)	—
Net periodic benefit (credit) cost	$ (0.5)	$ 0.2	$ 0.1	$ 0.2

Contributions

In the three months ended April 1, 2023, employer contributions to the Company's domestic and foreign defined benefit pension plans were $3.9 million. The Company expects contributions to its funded pension plans and benefit payments related to its unfunded pension plans to be $5 million to $10 million in 2023.

(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 three months of 2023 and 2022, revenue recognized related to prior years represented less than 2% 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 April 1, 2023 and December 31, 2022, there were no significant contract liabilities recorded. Further, in the first three 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. 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.

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					
	April 1, 2023			April 2, 2022		
	Seating	E-Systems	Total	Seating	E-Systems	Total
North America	$ 2,011.9	$ 368.1	$ 2,380.0	$ 1,841.9	$ 355.9	$ 2,197.8
Europe and Africa	1,596.7	634.3	2,231.0	1,269.5	521.7	1,791.2
Asia	688.3	331.2	1,019.5	662.6	367.5	1,030.1
South America	156.1	58.9	215.0	138.5	50.8	189.3
	$ 4,453.0	$ 1,392.5	$ 5,845.5	$ 3,912.5	$ 1,295.9	$ 5,208.4

(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	
	April 1, 2023	April 2, 2022
Other expense	$ 17.1	$ 30.2
Other income	(3.4)	(2.9)
Other expense, net	$ 13.7	$ 27.3

In the three months ended April 1, 2023, other expense includes net foreign currency transaction losses of $4.7 million, including gains of $1.0 million related to foreign exchange rate volatility in Russia, and a loss of $5.0 million related to the impairment of an affiliate.

In the three months ended April 2, 2022, other expense includes net foreign currency transaction losses of $20.0 million, including losses of $11.4 million 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 months ended April 1, 2023 and April 2, 2022, is shown below (in millions, except effective tax rates):

	Three Months Ended	
	April 1, 2023	April 2, 2022
Provision for income taxes	$ 45.6	$ 20.4
Pretax income before equity in net income of affiliates	$ 199.4	$ 76.3
Effective tax rate	22.9 %	26.7 %

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):

	Three Months Ended	
	April 1, 2023	April 2, 2022
Restructuring charges and various other items	$ 3.7	$ 10.3
Valuation allowances on deferred tax assets	—	0.5
Share-based compensation	(0.5)	1.2
	$ 3.2	$ 12.0

Excluding the items above, the effective tax rate for the first three 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	
	April 1, 2023	April 2, 2022
Net income attributable to Lear	$ 143.6	$ 49.4
Average common shares outstanding	59,316,555	59,932,030
Dilutive effect of common stock equivalents	242,411	278,949
Average diluted shares outstanding	59,558,966	60,210,979
Basic net income per share attributable to Lear	$ 2.42	$ 0.82
Diluted net income per share attributable to Lear	$ 2.41	$ 0.82

(16) Comprehensive Income and Equity

Comprehensive Income

Comprehensive income 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.

Accumulated Other Comprehensive Loss

A summary of changes, net of tax, in accumulated other comprehensive loss for the three months ended April 1, 2023, is shown below (in millions):

	Three Months Ended April 1, 2023
Defined benefit plans:	
Balance at beginning of period	$ (95.7)
Reclassification adjustments	(0.3)
Other comprehensive income recognized during the period	0.3
Balance at end of period	$ (95.7)
Derivative instruments and hedging:	
Balance at beginning of period	$ 33.4
Reclassification adjustments (net of tax benefit of $4.6 million)	(17.8)
Other comprehensive income recognized during the period (net of tax expense of $19.5 million)	76.2
Balance at end of period	$ 91.8
Foreign currency translation:	
Balance at beginning of period	$ (742.8)
Other comprehensive income recognized during the period (net of tax benefit of $0.2 million)	41.9
Balance at end of period	$ (700.9)
Total accumulated other comprehensive loss	$ (704.8)

In the three months ended April 1, 2023, foreign currency translation adjustments are primarily related to the strengthening of the Euro, and to a lesser extent the Brazilian real, relative to the U.S. dollar, and include pretax gains of $0.1 million related to intercompany transactions for which settlement is not planned or anticipated in the foreseeable future.

In the three months ended April 1, 2023, foreign currency translation adjustments also include derivative net investment hedge losses of $0.8 million.

A summary of changes, net of tax, in accumulated other comprehensive loss for the three months ended April 2, 2022, is shown below (in millions):

	Three Months Ended April 2, 2022
Defined benefit plans:	
Balance at beginning of period	$ (199.4)
Reclassification adjustments (net of tax expense of $0.3 million)	1.4
Other comprehensive loss recognized during the period	(0.5)
Balance at end of period	$ (198.5)
Derivative instruments and hedging:	
Balance at beginning of period	$ (18.6)
Reclassification adjustments (net of tax benefit of $1.4 million)	(6.6)
Other comprehensive income recognized during the period (net of tax expense of $7.9 million)	31.6
Balance at end of period	$ 6.4
Foreign currency translation:	
Balance at beginning of period	$ (552.2)
Other comprehensive loss recognized during the period (net of tax expense of $0.4 million)	(18.3)
Balance at end of period	$ (570.5)
Total accumulated other comprehensive loss	$ (762.6)

In the three months ended April 2, 2022, foreign currency translation adjustments are primarily related to the weakening of the Euro, offset by the strengthening of the Brazilian real, relative to the U.S. dollar, and include pretax losses of $0.5 million related to intercompany transactions for which settlement is not planned or anticipated in the foreseeable future.

In the three months ended April 2, 2022, foreign currency translation adjustments also include derivative net investment hedge gains of $0.3 million.

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, $4.9 billion of its outstanding common stock, at an average price of $91.71 per share, excluding commissions and related fees. As of April 1, 2023, the Company had a remaining purchase authorization of $1.2 billion under the Repurchase Program, which expires on December 31, 2024.

Share repurchases in the first three months of 2023 and the remaining purchase authorization as of April 1, 2023, are shown below (in millions, except for share and per share amounts):

Three Months Ended April 1, 2023				As of April 1, 2023
Aggregate Repurchases	Cash Paid for Repurchases	Number of Shares	Average Price per Share [1]	Remaining Purchase Authorization
$ 25.1	$ 25.1	182,902	$ 137.24	$ 1,204.3

[1] 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 quarterly cash dividends of $0.77 per share of common stock in the first three months of 2023 and 2022.

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

	Three Months Ended	
	April 1, 2023	April 2, 2022
Dividends declared	$ 46.7	$ 46.8
Dividends paid	46.8	47.4

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

(17) Legal and Other Contingencies

As of April 1, 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 $18.8 million and $15.9 million, respectively. Such reserves reflect amounts recognized in accordance with GAAP and typically exclude the cost of legal representation. Product warranty and recall reserves are recorded separately from legal reserves, as described below.

Commercial Disputes

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

Product 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 product 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 product warranty or 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 product warranty or recall matters.

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

A summary of the changes in reserves for product warranty and recall matters for the three months ended April 1, 2023, is shown below (in millions):

Balance at January 1, 2023	$	30.4
Expense, net (including changes in estimates)		3.2
Settlements		(5.3)
Foreign currency translation and other		0.2
Balance at April 1, 2023	$	28.5

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 April 1, 2023 and December 31, 2022, the Company had recorded environmental reserves of $8.1 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, product 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 April 1, 2023			
	Seating	E-Systems	Other	Consolidated
Revenues from external customers	$ 4,453.0	$ 1,392.5	$ —	$ 5,845.5
Segment earnings [1]	285.8	42.3	(90.8)	237.3
Depreciation and amortization	95.9	46.2	5.1	147.2
Capital expenditures	63.6	43.6	4.6	111.8
Total assets	8,549.8	3,981.5	1,872.9	14,404.2

	Three Months Ended April 2, 2022			
	Seating	E-Systems	Other	Consolidated
Revenues from external customers	$ 3,912.5	$ 1,295.9	$ —	$ 5,208.4
Segment earnings [1]	200.1	15.9	(87.5)	128.5
Depreciation and amortization	92.8	46.2	4.4	143.4
Capital expenditures	77.1	46.1	7.1	130.3
Total assets	7,975.0	3,631.7	2,120.6	13,727.3

[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	
	April 1, 2023	April 2, 2022
Segment earnings	$ 237.3	$ 128.5
Interest expense	24.2	24.9
Other expense, net	13.7	27.3
Consolidated income before provision for income taxes and equity in net income of affiliates	$ 199.4	$ 76.3

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

	April 1, 2023	December 31, 2022
Estimated aggregate fair value [1]	$ 2,238.9	$ 2,142.3
Aggregate carrying value [1] [2]	2,600.0	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):

	April 1, 2023	April 2, 2022
Balance sheet:		
Cash and cash equivalents	$ 898.5	$ 1,162.0
Restricted cash included in other current assets	0.6	—
Restricted cash included in other long-term assets	1.7	2.8
Statement of cash flows:		
Cash, cash equivalents and restricted cash	$ 900.8	$ 1,164.8

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 April 1, 2023 and December 31, 2022, accounts receivable are reflected net of reserves of $33.6 million and $35.3 million, respectively. Changes in expected credit losses were not significant in the first three 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):

	April 1, 2023	December 31, 2022
Current assets	$ 1.1	$ 3.6
Other long-term assets	59.7	53.6
	$ 60.8	$ 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. 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 April 1, 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 April 1, 2023 and December 31, 2022, respectively. During the three months ended April 1, 2023, the Company recognized a loss of $5.0 million related to the impairment of an investment in equity securities without a readily determinable fair value.

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 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 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. 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. 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 three months ended April 1, 2023 and April 2, 2022, contra interest expense on net investment hedges of $0.6 million and $1.6 million, respectively, is included in interest expense in the accompanying condensed consolidated statements of comprehensive income.

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):

	April 1, 2023	December 31, 2022
Fair value of foreign currency contracts designated as cash flow hedges:		
Other current assets	$ 121.6	$ 63.4
Other long-term assets	20.9	10.3
Other current liabilities	(1.9)	(6.7)
Other long-term liabilities	(1.1)	(0.2)
	139.5	66.8
Notional amount	$ 1,513.9	$ 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	$ 4.0	$ 4.8
Notional amount	$ 150.0	$ 150.0
Outstanding maturities in months, not to exceed	36	39
Fair value of foreign currency contracts not designated as hedging instruments:		
Other current assets	$ 3.9	$ 9.5
Other current liabilities	(1.0)	(13.4)
	2.9	(3.9)
Notional amount	$ 514.2	$ 758.6
Outstanding maturities in months, not to exceed	4	7
Total fair value	$ 146.4	$ 67.7
Total notional amount	$ 2,178.1	$ 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	
	April 1, 2023	April 2, 2022
Gains (losses) recognized in accumulated other comprehensive loss:		
Foreign currency contracts	$ 95.7	$ 39.5
Net investment hedge contracts	(0.8)	0.3
	94.9	39.8
(Gains) losses reclassified from accumulated other comprehensive loss to:		
Net sales	0.7	(1.6)
Cost of sales	(24.1)	(7.0)
Interest expense	0.6	0.6
Other expense, net	0.4	—
	(22.4)	(8.0)
Comprehensive income	$ 72.5	$ 31.8

As of April 1, 2023 and December 31, 2022, pretax net gains of $144.3 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	$ 119.7
Interest rate swap contracts	(2.4)
Total	$ 117.3

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 April 1, 2023 and December 31, 2022, are shown below (in millions):

	April 1, 2023					
	Frequency	Asset (Liability)	Valuation Technique	Level 1	Level 2	Level 3
Foreign currency contracts, net	Recurring	$ 142.4	Market/ Income	$ —	$ 142.4	$ —
Net investment hedges	Recurring	4.0	Market/ Income	—	4.0	—
Marketable equity securities	Recurring	60.8	Market	60.8	—	—

	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 April 1, 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 three 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.

In the three months ended April 1, 2023, the Company completed an impairment assessment related to certain of its intangible assets resulting from a change in the intended use of such asset and recorded an impairment charge of $0.9 million. The fair value estimate of the related asset group was based on management's estimates using a discounted cash flow method.

As of April 1, 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 — electrification and shared mobility. 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 our 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. 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 electrical and/or electronic 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 are able to 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. Although industry production has recovered modestly with production increasing 7% in 2022 compared to 2021 and expected to increase 4% in 2023 compared to 2022 (based on April 2023 S&P Global Mobility), production remains well below recent historic levels. Global industry production in 2023 is expected to be approximately 4% below 2019 pre-pandemic levels and 10% 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. 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 three months of 2023, as compared to the first three months of 2022, are shown below (in thousands of units):

	Three Months Ended		
	April 1, 2023 [1]	April 2, 2022 [1] [2]	% Change
North America	3,898.2	3,550.2	10 %
Europe and Africa	4,721.0	4,018.6	17 %
Asia	11,049.2	10,896.0	1 %
South America	642.0	561.7	14 %
Other	389.3	474.9	(18)%
Global light vehicle production	20,699.7	19,501.4	6 %

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

In addition to the factors noted above, automotive sales and production can 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 level of vertical integration and profitability of the products 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 three months of 2023 and 2022 is shown below:

	Three Months Ended	
	April 1, 2023	April 2, 2022
North America	41 %	42 %
Europe and Africa	38 %	34 %
Asia	17 %	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 trends of electrification and, to a lesser extent, shared mobility. Demand for, and regulatory developments related to, improved energy efficiency, sustainability, and enhanced safety and communications (e.g., government mandates related to fuel economy, carbon emissions and safety equipment) are significant drivers of these trends. Electrification, in particular, is likely to be at the forefront of our industry for the foreseeable future.

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;
- Build on our reputation for operational excellence through investment in Industry 4.0 technologies; and
- Prioritize people and the planet through our Environmental, Social and Governance ("ESG") 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 66.1% in the first three months of 2023, as compared to 66.4% in the first three 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 escalating raw material, energy, commodity and product component costs, these strategies, together with commercial negotiations with our customers and suppliers, typically offset only a 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 selectively 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 Gruendau-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 additional scale to our seat heating and ventilation capabilities and complements the lumbar and massage capabilities assumed with our acquisition of Kongsberg Automotive's Interior Comfort System's business 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 transaction is valued at approximately €140 million, on a cash and debt free basis.

Operational Restructuring

In the first three months of 2023, we incurred pretax restructuring costs of $15 million, as compared to pretax restructuring costs of $30 million and related manufacturing inefficiency charges of approximately $2 million in the first three months of 2022. None of the individual restructuring actions initiated in the first three 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 $19 million of additional restructuring costs related to activities initiated as of April 1, 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 April 26, 2023, we provided irrevocable notice to borrow $150 million under our delayed-draw term loan facility to finance the acquisition of IGB.

For further information related to our acquisition of IGB and our delayed-draw term loan facility, 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 quarter of 2023, we repurchased $25 million of shares. As of April 1, 2023, we have a remaining repurchase authorization of $1.2 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 quarter 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 and Equity," to the condensed consolidated financial statements included in this Report.

Other Matters

In the three months ended April 1, 2023 and April 2, 2022, we recognized tax benefits of $3 million and $12 million, respectively, related to restructuring charges and various other items.

Our results for the three months ended April 1, 2023 and April 2, 2022, reflect the following items (in millions):

	Three Months Ended	
	April 1, 2023	April 2, 2022
Costs related to restructuring actions, including manufacturing inefficiencies of $2 million in the three months ended April 2, 2022	$ 15	$ 32
Acquisition costs	—	10
Intangible asset impairment	1	—
Costs related to typhoon in the Philippines	1	11
Foreign exchange (gains) losses due to foreign exchange rate volatility related to Russia	(1)	11
Loss related to affiliate	5	—
Tax benefit, net	(3)	(12)

For further information regarding these items, see Note 3, "Acquisitions," Note 4, "Restructuring," Note 7, "Long-Lived Assets," 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			
	April 1, 2023		April 2, 2022	
Net sales				
Seating	$ 4,453.0	76.2 %	$ 3,912.5	75.1 %
E-Systems	1,392.5	23.8	1,295.9	24.9
Net sales	5,845.5	100.0	5,208.4	100.0
Cost of sales	5,415.5	92.6	4,886.9	93.8
Gross profit	430.0	7.4	321.5	6.2
Selling, general and administrative expenses	176.8	3.0	177.3	3.4
Amortization of intangible assets	15.9	0.3	15.7	0.3
Interest expense	24.2	0.4	24.9	0.5
Other expense, net	13.7	0.2	27.3	0.6
Provision for income taxes	45.6	0.8	20.4	0.4
Equity in net income of affiliates	(9.6)	(0.1)	(10.7)	(0.2)
Net income attributable to noncontrolling interests	19.8	0.3	17.2	0.3
Net income attributable to Lear	$ 143.6	2.5 %	$ 49.4	0.9 %

Three Months Ended April 1, 2023 vs. Three Months Ended April 2, 2022

Net sales in the first quarter of 2023 were $5.8 billion, as compared to $5.2 billion in the first quarter of 2022, an increase of $637 million or 12%. Higher production volumes on Lear platforms globally and new business in Europe, North America and South America favorably impacted net sales by $548 million and $187 million, respectively. Net sales also benefited by $63 million and $47 million due to commodity recoveries and our Kongsberg ICS acquisition, respectively. These increases were partially offset by the impact of foreign exchange rate fluctuations, which reduced net sales by $223 million.

(in millions)	Cost of Sales	
First quarter 2022	$	4,886.9
Material cost		404.4
Labor and other		121.7
Depreciation		2.5
First quarter 2023	$	5,415.5

Cost of sales was $5.4 billion in the first quarter of 2023, as compared to $4.9 billion in the first quarter of 2022. Higher production volumes on Lear platforms globally and new business in Europe, North America and South America increased cost of sales. Cost of sales also increased as a result of higher commodity costs and our Kongsberg ICS acquisition. These increases were partially offset by the impact of foreign exchange fluctuations, which reduced cost of sales.

Gross profit and gross margin were $430 million and 7.4% of net sales, respectively, in the first quarter of 2023, as compared to $322 million and 6.2% of net sales, respectively, in the first quarter of 2022. Higher production volumes on Lear platforms and new business positively impacted gross profit by $104 million. The impact of favorable operating performance, including the benefit of restructuring actions, and lower restructuring costs was offset by selling price reductions and foreign exchange fluctuations. These factors had a corresponding impact on gross margin.

Selling, general and administrative expenses, including engineering and development expenses, were $177 million in the first quarters of 2023 and 2022. As a percentage of net sales, selling, general and administrative expenses were 3.0% in the first quarter of 2023, as compared to 3.4% in the first quarter of 2022, reflecting higher sales in the first quarter of 2023.

Amortization of intangible assets was $16 million, including an impairment charge of $1 million, in the first quarter of 2023, as compared to $16 million in the first quarter of 2022.

Interest expense was $24 million in the first quarter of 2023, as compared to $25 million in the first 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 $14 million in the first quarter of 2023, as compared to $27 million in the first quarter of 2022. In the first quarter of 2023, we recognized foreign exchange losses of $5 million (including gains of $1 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 quarter of 2022, we recognized foreign exchange losses of $20 million (including losses of $11 million related to foreign exchange rate volatility in Russia).

In the first quarter of 2023, the provision for income taxes was $46 million, representing an effective tax rate of 22.9% on pretax income before equity in net income of affiliates of $199 million. In the first quarter of 2022, the provision for income taxes was $20 million, representing an effective tax rate of 26.7% on pretax income before equity in net income of affiliates of $76 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 first 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 first quarters of 2023 and 2022, we recognized net tax benefits of $3 million and $12 million, respectively, related to restructuring charges and various other items.

Excluding these items, the effective tax rate for the first 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 first quarter of 2023, as compared to $11 million in the first quarter of 2022.

Net income attributable to Lear was $144 million, or $2.41 per diluted share, in the first quarter of 2023, as compared to $49 million, or $0.82 per diluted share, in the first 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	
	April 1, 2023	April 2, 2022
Net sales	$ 4,453.0	$ 3,912.5
Segment earnings [1]	285.8	200.1
Margin	6.4 %	5.1 %

[1] See definition above

Seating net sales were $4.5 billion in the first quarter of 2023, as compared to $3.9 billion in the first quarter of 2022, reflecting an increase of $541 million or 14%. Higher production volumes on Lear platforms and new business favorably impacted net sales by $468 million and $125 million, respectively. Net sales also benefited by $49 million and $47 million due to commodity recoveries and our Kongsberg ICS acquisition, respectively. These increases were partially offset by foreign exchange fluctuations, which reduced net sales by $148 million.

Segment earnings, including restructuring costs, and the related margin on net sales were $286 million and 6.4% in the first quarter of 2023, as compared to $200 million and 5.1% in the first quarter of 2022. Higher production volumes on Lear platforms and new business positively impacted segment earnings by $87 million. The impact of favorable operating performance, including the benefit of operational restructuring actions, was offset by selling price reductions and foreign exchange fluctuations.

E-Systems

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

	Three Months Ended	
	April 1, 2023	April 2, 2022
Net sales	$ 1,392.5	$ 1,295.9
Segment earnings [1]	42.3	15.9
Margin	3.0 %	1.2 %

[1] See definition above

E-Systems net sales were $1.4 billion in the first quarter of 2023, as compared to $1.3 billion in the first quarter of 2022, reflecting an increase of $97 million or 7%. Higher production volumes on Lear platforms and new business favorably impacted net sales by $80 million and $24 million, respectively. Net sales also benefited by $14 million due to commodity recoveries. These increases were partially offset by foreign exchange fluctuations, which reduced net sales by $75 million.

Segment earnings, including restructuring costs, and the related margin on net sales were $42 million and 3.0% in the first quarter of 2023, as compared to $16 million and 1.2% in the first quarter of 2022. Higher production volumes on Lear platforms and new business positively impacted segment earnings by $17 million. The impact of favorable operating performance, including the benefit of operational restructuring actions, and lower restructuring costs was offset by selling price reductions and foreign exchange fluctuations.

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	
	April 1, 2023	April 2, 2022
Net sales	$ —	$ —
Segment earnings [1]	(90.8)	(87.5)
Margin	N/A	N/A

[1] See definition above

Segment earnings related to our other category were ($91) million in the first quarter of 2023, as compared to ($88) million in the first quarter of 2022.

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 April 1, 2023 and December 31, 2022, cash and cash equivalents of $673 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 significant restrictions on the ability of our subsidiaries to pay dividends or make other distributions to Lear.

For further information related to potential dividends from our non-U.S. subsidiaries, see Note 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 April 1, 2023, we had $899 million of cash and cash equivalents on hand, $2.0 billion in available borrowing capacity under our credit agreement and $150 million in available borrowing capacity under our delayed draw facility (to finance our acquisition of IGB). 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):

	Three Months Ended		
	April 1, 2023	April 2, 2022	Increase (Decrease) in Cash Flow
Consolidated net income and depreciation and amortization	$ 311	$ 210	$ 101
Net change in working capital items:			
Accounts receivable	(671)	(219)	(452)
Inventory	(94)	(49)	(45)
Accounts payable	353	277	76
Accrued liabilities and other	100	29	71
Net change in working capital items	(312)	38	(350)
Other	(35)	(27)	(8)
Net cash provided by (used in) operating activities	$ (36)	$ 221	$ (257)
Net cash used in investing activities	$ (110)	$ (303)	$ 193
Net cash used in financing activities	$ (83)	$ (71)	$ (12)

Operating Activities

In the first three months of 2023 and 2022, net cash provided by (used in) operating activities was ($36) million and $221 million, respectively. The overall decrease in operating cash flow is primarily due to an increase in working capital in the first quarter of 2023 to support our higher sales, as compared to a small decrease in working capital in the first quarter of 2022. In addition, the timing of our fiscal quarter end resulted in the delay of certain customer payments until the second quarter of 2023. These decreases were partially offset by our higher earnings in the first quarter of 2023, as compared to the first quarter of 2022.

Investing Activities

Net cash used in investing activities was $110 million in the first three months of 2023, as compared to $303 million in the first three months of 2022. In the first three months of 2022, we paid $184 million for our Kongsberg ICS acquisition. Capital spending was $112 million in the first three months of 2023, as compared to $130 million in the first three months of 2022. Capital spending is estimated to be $700 million in 2023.

Financing Activities

Net cash used in financing activities was $83 million in the first three months of 2023, as compared to $71 million in the first three months of 2022. In the first three months of 2023, we paid $25 million for repurchases of our common stock and $47 million of dividends to Lear stockholders. In the first three months of 2022, we paid $47 million of dividends to Lear stockholders.

Capitalization

Short-Term Borrowings

We utilize uncommitted lines of credit as needed for our short-term working capital fluctuations. As of April 1, 2023 and December 31, 2022, we had lines of credit from banks totaling $301 million and $298 million, respectively. As of April 1, 2023 and December 31, 2022, we had short-term debt balances outstanding related to draws on our lines of credit of $17 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.

Delayed-Draw Term Loan Facility

In December 2022, we entered into an unsecured $150 million committed delayed-draw term loan facility (the "Delayed-Draw Facility"). The Delayed-Draw Facility will be used to finance the acquisition of IGB. As of April 1, 2023, there were no amounts drawn under the Delayed-Draw Facility.

On April 26, 2023, we provided irrevocable notice to borrow $150 million under the Delayed-Draw Facility to finance the acquisition of IGB.

For further information related to our acquisition of IGB and our Delayed-Draw Facility, 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 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 90% 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 escalating raw material, energy and commodity costs, these strategies, together with commercial negotiations with our customers and suppliers, typically offset only a 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 April 1, 2023, we have recorded reserves for pending legal disputes, including commercial and contractual disputes, product liability claims and other legal matters, of $19 million. In addition, as of April 1, 2023, we have recorded reserves for product warranty and recall matters and environmental matters of $29 million and $8 million, respectively. Although these reserves were determined in accordance with GAAP, the ultimate outcomes of these matters are inherently uncertain, and actual results may differ significantly from current estimates. For a description of risks related to various legal proceedings and claims, see Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 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 three 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 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 ESG 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):

	April 1, 2023	December 31, 2022
Notional amount (contract maturities < 24 months)	$ 2,028	$ 2,306
Fair value	142	63

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

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

	Hypothetical Strengthening % [1]	Potential Earnings Benefit (Adverse Earnings Impact) April 1, 2023	Potential Earnings Benefit (Adverse Earnings Impact) December 31, 2022
U.S. dollar	10%	$ (1)	$ 8
Euro	10%	28	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):

	Hypothetical Change % [2]	Estimated Change in Fair Value April 1, 2023	Estimated Change in Fair Value December 31, 2022
U.S. dollar	10%	$ 81	$ 84
Euro	10%	83	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.

ITEM 4 — CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

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

(b) Changes in Internal Control over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the fiscal quarter ended April 1, 2023, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1 — LEGAL PROCEEDINGS

We are involved from time to time in various legal proceedings and claims, including, without limitation, commercial or contractual disputes, product liability claims, and environmental and other matters. For a description of risks related to various legal proceedings and claims, see Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 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 and Equity," to the condensed consolidated financial statements included in this Report, we have a remaining repurchase authorization of $1,204.3 million under our ongoing common stock share repurchase program.

A summary of the shares of our common stock repurchased during the quarter ended April 1, 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)
January 1, 2023 through January 28, 2023	$ —	$ —	$ —	$ 1,229.4
January 29, 2023 through February 25, 2023	—	—	—	1,229.4
February 26, 2023 through April 1, 2023	182,902	$137.24	182,902	1,204.3
Total	$ 182,902	$137.24	$ 182,902	$ 1,204.3

ITEM 6 — EXHIBITS

Exhibit Index

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

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

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:	April 27, 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

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: April 27, 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: April 27, 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 April 1, 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: April 27, 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 April 1, 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:	April 27, 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.