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 July 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 x No ☐

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

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

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

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

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

As of July 28, 2023, the number of shares outstanding of the registrant's common stock was 58,747,010 shares.

LEAR CORPORATION

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

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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)

	July 1, 2023[1]	December 31, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 901.9	$ 1,114.9
Accounts receivable	4,259.7	3,451.9
Inventories	1,702.6	1,573.6
Other	967.4	853.7
Total current assets	7,831.6	6,994.1
LONG-TERM ASSETS:		
Property, plant and equipment, net	2,913.1	2,854.0
Goodwill	1,735.8	1,660.6
Other	2,318.0	2,254.3
Total long-term assets	6,966.9	6,768.9
Total assets	$ 14,798.5	$ 13,763.0
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings	$ 26.9	$ 9.9
Accounts payable and drafts	3,641.3	3,206.1
Accrued liabilities	2,106.9	1,961.5
Current portion of long-term debt	0.1	10.8
Total current liabilities	5,775.2	5,188.3
LONG-TERM LIABILITIES:		
Long-term debt	2,741.4	2,591.2
Other	1,190.6	1,153.2
Total long-term liabilities	3,932.0	3,744.4
EQUITY:		
Preferred stock, 100,000,000 shares authorized (including 10,896,250 Series A convertible preferred stock authorized); no shares outstanding	—	—
Common stock, $0.01 par value, 300,000,000 shares authorized; 64,571,405 shares issued as of July 1, 2023 and December 31, 2022	0.6	0.6
Additional paid-in capital	1,027.1	1,023.1
Common stock held in treasury, 5,821,905 and 5,493,211 shares as of July 1, 2023 and December 31, 2022, respectively, at cost	(797.8)	(753.9)
Retained earnings	5,432.3	5,214.1
Accumulated other comprehensive loss	(681.7)	(805.1)
Lear Corporation stockholders' equity	4,980.5	4,678.8
Noncontrolling interests	110.8	151.5
Equity	5,091.3	4,830.3
Total liabilities and equity	$ 14,798.5	$ 13,763.0

(1) Unaudited

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

LEAR CORPORATION AND SUBSIDIARIES

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

	Three Months Ended		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Net sales	$ 5,999.2	$ 5,071.0	$ 11,844.7	$ 10,279.4
Cost of sales	5,542.2	4,731.1	10,957.7	9,618.0
Selling, general and administrative expenses	182.8	171.2	359.6	348.5
Amortization of intangible assets	16.0	24.6	31.9	40.3
Interest expense	26.2	24.9	50.4	49.8
Other expense, net	19.5	14.4	33.2	41.7
Consolidated income before provision for income taxes and equity in net income of affiliates	212.5	104.8	411.9	181.1
Provision for income taxes	41.5	23.5	87.1	43.9
Equity in net income of affiliates	(16.2)	(4.3)	(25.8)	(15.0)
Consolidated net income	187.2	85.6	350.6	152.2
Less: Net income attributable to noncontrolling interests	18.5	17.1	38.3	34.3
Net income attributable to Lear	**$ 168.7**	**$ 68.5**	**$ 312.3**	**$ 117.9**
Basic net income per share attributable to Lear (Note 15)	**$ 2.85**	**$ 1.14**	**$ 5.27**	**$ 1.97**
Diluted net income per share attributable to Lear (Note 15)	**$ 2.84**	**$ 1.14**	**$ 5.25**	**$ 1.96**
Cash dividends declared per share	**$ 0.77**	**$ 0.77**	**$ 1.54**	**$ 1.54**
Average common shares outstanding	**59,133,427**	**59,899,061**	**59,224,991**	**59,915,636**
Average diluted shares outstanding	**59,366,167**	**60,095,641**	**59,462,566**	**60,153,625**
Consolidated comprehensive income (loss) (Condensed Consolidated Statements of Equity)	$ 204.1	$ (112.8)	$ 468.2	$ (38.8)
Less: Comprehensive income attributable to noncontrolling interests	12.3	10.3	32.5	27.3
Comprehensive income (loss) attributable to Lear	$ 191.8	$ (123.1)	$ 435.7	$ (66.1)

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

LEAR CORPORATION AND SUBSIDIARIES

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

	Three Months Ended July 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 April 1, 2023	$ 0.6	$ 1,013.4	$ (761.5)	$ 5,310.0	$ (704.8)	$ 4,857.7
Comprehensive income:						
Net income	—	—	—	168.7	—	168.7
Other comprehensive income (loss)	—	—	—	—	23.1	23.1
Total comprehensive income	—	—	—	168.7	23.1	191.8
Stock-based compensation	—	16.2	—	—	—	16.2
Net issuance of 15,172 shares held in treasury in settlement of stock-based compensation	—	(2.5)	2.1	(0.1)	—	(0.5)
Repurchase of 286,630 shares of common stock at average price of $132.58 per share	—	—	(38.4)	—	—	(38.4)
Dividends declared to Lear Corporation stockholders	—	—	—	(46.3)	—	(46.3)
Dividends declared to noncontrolling interest holders	—	—	—	—	—	—
Balance at July 1, 2023	$ 0.6	$ 1,027.1	$ (797.8)	$ 5,432.3	$ (681.7)	$ 4,980.5

	Six Months Ended July 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	—	—	—	312.3	—	312.3
Other comprehensive income (loss)	—	—	—	—	123.4	123.4
Total comprehensive income	—	—	—	312.3	123.4	435.7
Stock-based compensation	—	35.1	—	—	—	35.1
Net issuance of 140,838 shares held in treasury in settlement of stock-based compensation	—	(31.1)	19.6	(1.1)	—	(12.6)
Repurchase of 469,532 shares of common stock at average price of $134.39 per share	—	—	(63.5)	—	—	(63.5)
Dividends declared to Lear Corporation stockholders	—	—	—	(93.0)	—	(93.0)
Dividends declared to noncontrolling interest holders	—	—	—	—	—	—
Balance at July 1, 2023	$ 0.6	$ 1,027.1	$ (797.8)	$ 5,432.3	$ (681.7)	$ 4,980.5

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 July 1, 2023		
	Lear Corporation Stockholders' Equity	Non-controlling Interests	Equity
Balance at April 1, 2023	$ 4,857.7	$ 171.7	$ 5,029.4
Comprehensive income:			
Net income	168.7	18.5	187.2
Other comprehensive income (loss)	23.1	(6.2)	16.9
Total comprehensive income	191.8	12.3	204.1
Stock-based compensation	16.2	—	16.2
Net issuance of 15,172 shares held in treasury in settlement of stock-based compensation	(0.5)	—	(0.5)
Repurchase of 286,630 shares of common stock at average price of $132.58 per share	(38.4)	—	(38.4)
Dividends declared to Lear Corporation stockholders	(46.3)	—	(46.3)
Dividends declared to noncontrolling interest holders	—	(73.2)	(73.2)
Balance at July 1, 2023	$ 4,980.5	$ 110.8	$ 5,091.3

	Six Months Ended July 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	312.3	38.3	350.6
Other comprehensive income (loss)	123.4	(5.8)	117.6
Total comprehensive income	435.7	32.5	468.2
Stock-based compensation	35.1	—	35.1
Net issuance of 140,838 shares held in treasury in settlement of stock-based compensation	(12.6)	—	(12.6)
Repurchase of 469,532 shares of common stock at average price of $134.39 per share	(63.5)	—	(63.5)
Dividends declared to Lear Corporation stockholders	(93.0)	—	(93.0)
Dividends declared to noncontrolling interest holders	—	(73.2)	(73.2)
Balance at July 1, 2023	$ 4,980.5	$ 110.8	$ 5,091.3

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

LEAR CORPORATION AND SUBSIDIARIES

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

	Three Months Ended July 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 April 2, 2022	$ 0.6	$ 1,000.4	$ (663.8)	$ 5,075.4	$ (762.6)	$ 4,650.0
Comprehensive income (loss):						
Net income	—	—	—	68.5	—	68.5
Other comprehensive loss	—	—	—	—	(191.6)	(191.6)
Total comprehensive income (loss)	—	—	—	68.5	(191.6)	(123.1)
Stock-based compensation	—	11.4	—	—	—	11.4
Net issuance of 22,160 shares held in treasury in settlement of stock-based compensation	—	(3.8)	3.1	(0.2)	—	(0.9)
Repurchase of 380,220 shares of common stock at average price of $131.92 per share	—	—	(50.2)	—	—	(50.2)
Dividends declared to Lear Corporation stockholders	—	—	—	(46.6)	—	(46.6)
Dividends declared to noncontrolling interest holders	—	—	—	—	—	—
Balance at July 2, 2022	$ 0.6	$ 1,008.0	$ (710.9)	$ 5,097.1	$ (954.2)	$ 4,440.6

	Six Months Ended July 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 (loss):						
Net income	—	—	—	117.9	—	117.9
Other comprehensive loss	—	—	—	—	(184.0)	(184.0)
Total comprehensive income (loss)	—	—	—	117.9	(184.0)	(66.1)
Stock-based compensation	—	25.3	—	—	—	25.3
Net issuance of 162,872 shares held in treasury in settlement of stock-based compensation	—	(36.7)	18.5	(0.2)	—	(18.4)
Repurchase of 380,220 shares of common stock at average price of $131.92 per share	—	—	(50.2)	—	—	(50.2)
Dividends declared to Lear Corporation stockholders	—	—	—	(93.4)	—	(93.4)
Dividends declared to noncontrolling interest holders	—	—	—	—	—	—
Change in noncontrolling interests	—	—	—	—	—	—
Balance at July 2, 2022	$ 0.6	$ 1,008.0	$ (710.9)	$ 5,097.1	$ (954.2)	$ 4,440.6

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

LEAR CORPORATION AND SUBSIDIARIES

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

	Three Months Ended July 2, 2022		
	Lear Corporation Stockholders' Equity	Non-controlling Interests	Equity
Balance at April 2, 2022	$ 4,650.0	$ 175.9	$ 4,825.9
Comprehensive income (loss):			
Net income	68.5	17.1	85.6
Other comprehensive loss	(191.6)	(6.8)	(198.4)
Total comprehensive income (loss)	(123.1)	10.3	(112.8)
Stock-based compensation	11.4	—	11.4
Net issuance of 22,160 shares held in treasury in settlement of stock-based compensation	(0.9)	—	(0.9)
Repurchase of 380,220 shares of common stock at average price of $131.92 per share	(50.2)	—	(50.2)
Dividends declared to Lear Corporation stockholders	(46.6)	—	(46.6)
Dividends declared to noncontrolling interest holders	—	(78.9)	(78.9)
Balance at July 2, 2022	$ 4,440.6	$ 107.3	$ 4,547.9

	Six Months Ended July 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 (loss):			
Net income	117.9	34.3	152.2
Other comprehensive loss	(184.0)	(7.0)	(191.0)
Total comprehensive income (loss)	(66.1)	27.3	(38.8)
Stock-based compensation	25.3	—	25.3
Net issuance of 162,872 shares held in treasury in settlement of stock-based compensation	(18.4)	—	(18.4)
Repurchase of 380,220 shares of common stock at average price of $131.92 per share	(50.2)	—	(50.2)
Dividends declared to Lear Corporation stockholders	(93.4)	—	(93.4)
Dividends declared to noncontrolling interest holders	—	(85.6)	(85.6)
Change in noncontrolling interests	—	0.6	0.6
Balance at July 2, 2022	$ 4,440.6	$ 107.3	$ 4,547.9

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

LEAR CORPORATION AND SUBSIDIARIES

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

	Six Months Ended	
	July 1, 2023	July 2, 2022
Cash Flows from Operating Activities:		
Consolidated net income	$ 350.6	$ 152.2
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	298.4	295.0
Net change in recoverable customer engineering, development and tooling	(49.7)	(74.3)
Net change in working capital items (see below)	(328.1)	(178.4)
Other, net	4.6	37.6
Net cash provided by operating activities	275.8	232.1
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(280.1)	(302.5)
Acquisitions, net of cash acquired	(174.5)	(184.2)
Other, net	4.7	1.8
Net cash used in investing activities	(449.9)	(484.9)
Cash Flows from Financing Activities:		
Short-term borrowings, net	17.6	—
Term loan borrowings	150.0	—
Repurchases of common stock	(53.3)	(50.2)
Dividends paid to Lear Corporation stockholders	(92.1)	(93.5)
Dividends paid to noncontrolling interests	(46.2)	(52.5)
Other, net	(23.9)	(25.3)
Net cash used in financing activities	(47.9)	(221.5)
Effect of foreign currency translation	9.9	(16.1)
Net Change in Cash, Cash Equivalents and Restricted Cash	(212.1)	(490.4)
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	$ 905.3	$ 830.9
Changes in Working Capital Items:		
Accounts receivable	$ (774.9)	$ (469.2)
Inventories	(74.4)	(75.7)
Accounts payable (including $15.4 million of cash paid in 2023 in conjunction with the acquisition of IGB to settle pre-existing accounts payable)	409.6	289.2
Accrued liabilities and other	111.6	77.3
Net change in working capital items	$ (328.1)	$ (178.4)
Supplementary Disclosure:		
Cash paid for interest	$ 54.9	$ 39.6
Cash paid for income taxes, net of refunds received	$ 110.3	$ 111.6

The accompanying notes are an integral part of these condensed consolidated 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 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 July 1, 2023, and for the six 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 July 1, 2023, will be reflected in management's estimates and assumptions in future periods.

(3) Acquisitions

I.G. Bauerhin

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

The acquisition of IGB was accounted for as a business combination, and accordingly, the assets acquired and liabilities assumed are included in the accompanying condensed consolidated balance sheet as of July 1, 2023. The operating results and cash flows of IGB are included in the accompanying condensed consolidated financial statements from the date of acquisition in the Company's Seating segment.

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

	July 1, 2023
Preliminary purchase price, net of acquired cash	$ 174.5
Property, plant and equipment	49.7
Other assets purchased and liabilities assumed, net	37.9
Goodwill	69.9
Intangible assets	17.0
Preliminary purchase price allocation	$ 174.5

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

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

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

The Company incurred transaction costs of $0.2 million and $1.4 million in the first six months of 2023 and 2022, respectively. These costs were expensed as incurred and are recorded in selling, general and administrative expenses.

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

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

Kongsberg ICS

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

(4) Restructuring

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

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

Balance at January 1, 2023	$	82.9
Provision for employee termination benefits		33.0
Payments, utilizations and foreign currency		(35.4)
Balance at July 1, 2023	$	80.5

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

	Six Months Ended			
	July 1, 2023		July 2, 2022	
Employee termination benefits	$	33.0	$	57.4
Asset impairments -				
Property, plant and equipment		0.1		1.1
Right-of-use assets		9.6		6.4
Contract termination costs		1.3		1.9
Other related costs		4.1		4.9
	$	48.1	$	71.7

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

	Six Months Ended			
	July 1, 2023		July 2, 2022	
Cost of sales	$	41.2	$	54.4
Selling, general and administrative expenses		6.9		17.3
	$	48.1	$	71.7

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

	Three Months Ended				Six Months Ended			
	July 1, 2023		July 2, 2022		July 1, 2023		July 2, 2022	
Seating	$	24.9	$	18.2	$	36.9	$	34.8
E-Systems		7.7		18.6		10.0		31.9
Other		0.9		5.0		1.2		5.0
	$	33.5	$	41.8	$	48.1	$	71.7

The Company expects to incur approximately $20 million and approximately $1 million of additional restructuring costs in its Seating and E-Systems segments, respectively, related to activities initiated as of July 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):

	July 1, 2023	December 31, 2022
Raw materials	$ 1,281.5	$ 1,216.8
Work-in-process	143.3	126.6
Finished goods	442.8	391.9
Reserves	(165.0)	(161.7)
Inventories	$ 1,702.6	$ 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 six months of 2023 and 2022, the Company capitalized $115.7 million and $133.9 million, respectively, of pre-production E&D costs for which reimbursement is contractually guaranteed by the customer. During the first six months of 2023 and 2022, the Company also capitalized $80.0 million and $104.5 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 six months of 2023 and 2022, the Company collected $151.0 million and $167.5 million, respectively, of cash related to E&D and tooling costs.

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

	July 1, 2023	December 31, 2022
Current	$ 218.5	$ 175.7
Long-term	169.5	161.3
Recoverable customer E&D and tooling	$ 388.0	$ 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):

	July 1, 2023	December 31, 2022
Land	$ 106.5	$ 104.6
Buildings and improvements	901.6	868.6
Machinery and equipment	5,089.3	4,871.5
Construction in progress	394.6	378.0
Total property, plant and equipment	6,492.0	6,222.7
Less – accumulated depreciation	(3,578.9)	(3,368.7)
Property, plant and equipment, net	$ 2,913.1	$ 2,854.0

Depreciation expense was $135.2 million and $127.0 million in the three months ended July 1, 2023 and July 2, 2022, respectively, and $266.5 million and $254.7 million in the six months ended July 1, 2023 and July 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 six months of 2023 and 2022, the Company recognized property, plant and equipment impairment charges of $0.1 million and $1.1 million, respectively, in conjunction with its restructuring actions (Note 4, "Restructuring"). In the first six 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 (loss).

Definite-Lived Intangible Assets

In the three and six months ended July 1, 2023, the Company recognized impairment charges of $1.0 million and $1.9 million, respectively, related to certain intangible assets of its E-Systems segment resulting from a change in the intended use of such assets. The impairment charges are included in amortization of intangible assets in the accompanying condensed consolidated statements of comprehensive income (loss).

(8) Goodwill and Indefinite-Lived Intangible Assets

Goodwill

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

	Seating	E-Systems	Total
Balance at January 1, 2023	$ 1,261.1	$ 399.5	$ 1,660.6
Acquisition	69.9	—	69.9
Foreign currency translation and other	10.7	(5.4)	5.3
Balance at July 1, 2023	$ 1,341.7	$ 394.1	$ 1,735.8

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

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

Indefinite-Lived Intangible Assets

In the three and six months ended July 2, 2022, the Company recognized an impairment charge of $8.9 million related to an intangible asset of its E-Systems segment resulting from a change in the intended use of such asset. The impairment charge is included in amortization of intangible assets in the accompanying condensed consolidated statements of comprehensive income (loss).

(9) Debt

Short-Term Borrowings

The Company utilizes uncommitted lines of credit as needed for its short-term working capital fluctuations. As of July 1, 2023 and December 31, 2022, the Company had lines of credit from banks totaling $297.2 million and $298.2 million, respectively. As of July 1, 2023 and December 31, 2022, the Company had short-term debt balances outstanding related to draws on the lines of credit of $26.9 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):

	July 1, 2023				
Debt Instrument	**Long-Term Debt**	**Unamortized Debt Issuance Costs**	**Unamortized Original Issue Premium (Discount)**	**Long-Term Debt, Net**	**Weighted Average Interest Rate**
Delayed-Draw Term Loan Facility (the "Term Loan")	$ 150.0	$ (0.7)	$ —	$ 149.3	6.505%
3.8% Senior Notes due 2027 (the "2027 Notes")	550.0	(1.9)	(1.6)	546.5	3.885%
4.25% Senior Notes due 2029 (the "2029 Notes")	375.0	(1.8)	(0.7)	372.5	4.288%
3.5% Senior Notes due 2030 (the "2030 Notes")	350.0	(1.9)	(0.5)	347.6	3.525%
2.6% Senior Notes due 2032 (the "2032 Notes")	350.0	(2.6)	(0.7)	346.7	2.624%
5.25% Senior Notes due 2049 (the "2049 Notes")	625.0	(5.7)	12.9	632.2	5.103%
3.55% Senior Notes due 2052 (the "2052 Notes")	350.0	(3.8)	(0.5)	345.7	3.558%
Other	1.0	—	—	1.0	N/A
	$ 2,751.0	$ (18.4)	$ 8.9	$ 2,741.5	
Less — Current portion				(0.1)	
Long-term debt				$ 2,741.4	

	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 July 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 (the "Credit Agreement") expires on October 28, 2026. On June 14, 2023, the Company amended the Credit Agreement to implement the transition from the London Interbank Offered Rate to the Secured Overnight Financing Rate ("SOFR") in accordance with the existing terms of the Credit Agreement, adopting SOFR as the reference rate for certain U.S. dollar-denominated borrowings.

As of July 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) Term Benchmark, Central Bank Rate and Risk Free Rate ("RFR") (in each case, as defined in the Credit Agreement) or (ii) Alternate Base Rate ("ABR") and Canadian Prime Rate (in each case, as defined in the Credit Agreement). As of July 1, 2023, the ranges and rates are as follows:

	Term Benchmark, Central Bank Rate and RFR Loans			ABR and Canadian Prime Rate Loans		
	Minimum	Maximum	Rate as of July 1, 2023	Minimum	Maximum	Rate as of July 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 July 1, 2023, the Company was in compliance with all covenants under the Credit Agreement.

Term Loan

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

Covenants

The Term Loan contains the same covenants as the Credit Agreement. As of July 1, 2023, the Company was in compliance with all covenants under the Term Loan.

Other Long-Term Debt

As of July 1, 2023, other long-term debt, including the current portion, consists of amounts outstanding under finance lease agreements. As of December 31, 2022, other long-term debt, including the current portion, consists of amounts outstanding under an unsecured working capital loan and a finance lease agreement.

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

(10) Leases

The Company has operating leases for production, office and warehouse facilities, manufacturing and office equipment and vehicles. Operating lease assets and obligations included in the accompanying condensed consolidated balance sheets are shown below (in millions):

	July 1, 2023	December 31, 2022
Right-of-use assets under operating leases:		
Other long-term assets	$ 725.0	$ 701.8
Lease obligations under operating leases:		
Accrued liabilities	$ 149.8	$ 136.8
Other long-term liabilities	617.6	595.1
	$ 767.4	$ 731.9

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

	July 1, 2023
2023 [1]	$ 90.5
2024	162.5
2025	139.1
2026	115.5
2027	95.8
Thereafter	262.4
Total undiscounted cash flows	865.8
Less: Imputed interest	(98.4)
Lease obligations under operating leases	$ 767.4

[1] For the remaining six months

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

	Six Months Ended	
	July 1, 2023	July 2, 2022
Non-cash activity:		
Right-of-use assets obtained in exchange for operating lease obligations	$ 100.9	$ 101.2
Operating cash flows:		
Cash paid related to operating lease obligations	$ 89.6	$ 81.2

In addition to the right-of-use assets obtained in exchange for operating lease obligations shown above, in the three and six months ended July 1, 2023, the Company acquired $14.3 million of right-of-use assets and related lease obligations in conjunction with its acquisition of IGB (Note 3, "Acquisitions").

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

	Three Months Ended		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Operating lease expense	$ 45.3	$ 40.9	$ 89.5	$ 82.3
Short-term lease expense	5.1	5.4	10.2	10.8
Variable lease expense	2.4	2.1	5.0	4.1
Total lease expense	$ 52.8	$ 48.4	$ 104.7	$ 97.2

In the three and six months ended July 1, 2023 and July 2, 2022, the Company recognized impairment charges of $9.6 million and $6.4 million, respectively, related to its right-of-use assets in conjunction with its restructuring actions (see Note 4, "Restructuring").

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

	July 1, 2023
Weighted average remaining lease term	Seven years
Weighted average discount rate	3.8 %

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

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

(11) Pension and Other Postretirement Benefit Plans

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

Net Periodic Pension and Other Postretirement Benefit (Credit) Cost

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

	Three Months Ended				Six Months Ended			
	July 1, 2023		July 2, 2022		July 1, 2023		July 2, 2022	
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
Service cost	$ —	$ 0.8	$ —	$ 1.1	$ —	$ 1.6	$ —	$ 2.1
Interest cost	5.2	4.2	3.8	2.9	10.4	8.3	7.7	5.8
Expected return on plan assets	(5.2)	(4.1)	(5.9)	(4.4)	(10.2)	(8.1)	(11.9)	(8.8)
Amortization of actuarial loss	0.3	0.5	0.5	1.0	0.5	1.0	1.0	2.1
Settlement (gain) loss	—	—	—	—	(0.1)	—	0.4	—
Net periodic benefit (credit) cost	$ 0.3	$ 1.4	$ (1.6)	$ 0.6	$ 0.6	$ 2.8	$ (2.8)	$ 1.2

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

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

	Three Months Ended				Six Months Ended			
	July 1, 2023		July 2, 2022		July 1, 2023		July 2, 2022	
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
Interest cost	$ 0.4	$ 0.3	$ 0.4	$ 0.2	$ 0.8	$ 0.5	$ 0.8	$ 0.4
Amortization of actuarial gain	(0.8)	(0.1)	(0.3)	—	(1.7)	(0.1)	(0.6)	—
Amortization of prior service credit	(0.1)	—	(0.1)	—	(0.1)	—	(0.1)	—
Net periodic benefit (credit) cost	$ (0.5)	$ 0.2	$ —	$ 0.2	$ (1.0)	$ 0.4	$ 0.1	$ 0.4

Contributions

In the six months ended July 1, 2023, employer contributions to the Company's domestic and foreign defined benefit pension plans were $5.3 million. The Company expects contributions to its funded pension plans and benefit payments related to its unfunded pension plans to be $6 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 six 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 July 1, 2023 and December 31, 2022, there were no significant contract liabilities recorded. Further, in the first six months of 2023 and 2022, there were no significant contract liabilities recognized in revenue.

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

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

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

	Three Months Ended					
	July 1, 2023			July 2, 2022		
	Seating	E-Systems	Total	Seating	E-Systems	Total
North America	$ 2,001.4	$ 468.4	$ 2,469.8	$ 1,822.7	$ 370.8	$ 2,193.5
Europe and Africa	1,567.8	624.7	2,192.5	1,264.1	480.6	1,744.7
Asia	737.1	372.0	1,109.1	631.0	285.0	916.0
South America	161.8	66.0	227.8	156.3	60.5	216.8
	$ 4,468.1	$ 1,531.1	$ 5,999.2	$ 3,874.1	$ 1,196.9	$ 5,071.0

	Six Months Ended					
	July 1, 2023			July 2, 2022		
	Seating	E-Systems	Total	Seating	E-Systems	Total
North America	$ 4,013.3	$ 836.5	$ 4,849.8	$ 3,664.6	$ 726.7	$ 4,391.3
Europe and Africa	3,164.5	1,259.0	4,423.5	2,533.6	1,002.3	3,535.9
Asia	1,425.4	703.2	2,128.6	1,293.6	652.5	1,946.1
South America	317.9	124.9	442.8	294.8	111.3	406.1
	$ 8,921.1	$ 2,923.6	$ 11,844.7	$ 7,786.6	$ 2,492.8	$ 10,279.4

(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		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Other expense	$ 24.2	$ 17.1	$ 41.0	$ 47.1
Other income	(4.7)	(2.7)	(7.8)	(5.4)
Other expense, net	$ 19.5	$ 14.4	$ 33.2	$ 41.7

In the three and six months ended July 1, 2023, other expense includes net foreign currency transaction losses of $16.3 million and $21.1 million, respectively. In the six months ended July 1, 2023, other expense includes a loss of $5.0 million related to the impairment of an affiliate.

In the three and six months ended July 2, 2022, other expense includes net foreign currency transaction losses of $5.8 million and $25.7 million, respectively, including losses of $2.3 million and $13.7 million, respectively, related to foreign exchange rate volatility in Russia.

(14) Income Taxes

A summary of the provision for income taxes and the corresponding effective tax rate for the three and six months ended July 1, 2023 and July 2, 2022, is shown below (in millions, except effective tax rates):

	Three Months Ended		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Provision for income taxes	$ 41.5	$ 23.5	$ 87.1	$ 43.9
Pretax income before equity in net income of affiliates	$ 212.5	$ 104.8	$ 411.9	$ 181.1
Effective tax rate	19.5 %	22.4 %	21.1 %	24.2 %

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):

	Six Months Ended	
	July 1, 2023	July 2, 2022
Restructuring charges and various other items	$ 10.2	$ 18.8
Release of tax reserves	2.3	4.7
Share-based compensation	(0.5)	1.4
Valuation allowances on deferred tax assets	5.1	0.5
	$ 17.1	$ 25.4

Excluding the items above, the effective tax rate for the first six 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		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Net income attributable to Lear	$ 168.7	$ 68.5	$ 312.3	$ 117.9
Average common shares outstanding	59,133,427	59,899,061	59,224,991	59,915,636
Dilutive effect of common stock equivalents	232,740	196,580	237,575	237,989
Average diluted shares outstanding	59,366,167	60,095,641	59,462,566	60,153,625
Basic net income per share attributable to Lear	$ 2.85	$ 1.14	$ 5.27	$ 1.97
Diluted net income per share attributable to Lear	$ 2.84	$ 1.14	$ 5.25	$ 1.96

(16) Comprehensive Income (Loss) and Equity

Comprehensive Income (Loss)

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

Accumulated Other Comprehensive Loss

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

	Three Months Ended July 1, 2023	Six Months Ended July 1, 2023
Defined benefit plans:		
Balance at beginning of period	$ (95.7)	$ (95.7)
Reclassification adjustments (net of tax expense of $0.1 million in the three and six months ended July 1, 2023)	(0.3)	(0.6)
Other comprehensive loss recognized during the period	(0.3)	—
Balance at end of period	$ (96.3)	$ (96.3)
Derivative instruments and hedging:		
Balance at beginning of period	$ 91.8	$ 33.4
Reclassification adjustments (net of tax benefit of $9.1 million and $13.7 million in the three and six months ended July 1, 2023, respectively)	(35.8)	(53.6)
Other comprehensive income recognized during the period (net of tax expense of $19.3 million and $38.8 million in the three and six months ended July 1, 2023, respectively)	77.0	153.2
Balance at end of period	$ 133.0	$ 133.0
Foreign currency translation:		
Balance at beginning of period	$ (700.9)	$ (742.8)
Other comprehensive income (loss) recognized during the period (net of tax benefit of $0.5 million and $0.7 million in the three and six months ended July 1, 2023, respectively)	(17.5)	24.4
Balance at end of period	$ (718.4)	$ (718.4)
Total accumulated other comprehensive loss	$ (681.7)	$ (681.7)

In the three months ended July 1, 2023, foreign currency translation adjustments are primarily related to the weakening of the Chinese renminbi, partially offset by the strengthening of the Euro and the Brazilian real, relative to the U.S. dollar. In the six months ended July 1, 2023, foreign currency translation adjustments are primarily related to the strengthening of the Euro and the Brazilian real, partially offset by the weakening of the Chinese renminbi, relative to the U.S. dollar. In the three and six months ended July 1, 2023, foreign currency translation adjustments include pretax gains of $0.1 million and $0.2 million, respectively, related to intercompany transactions for which settlement is not planned or anticipated in the foreseeable future.

In the three and six months ended July 1, 2023, foreign currency translation adjustments also include derivative net investment hedge losses of $2.5 million and $3.3 million, respectively.

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

	Three Months Ended July 2, 2022	Six Months Ended July 2, 2022
Defined benefit plans:		
Balance at beginning of period	$ (198.5)	$ (199.4)
Reclassification adjustments (net of tax expense of $0.2 million and $0.5 million in the three and six months ended July 2, 2022, respectively)	0.9	2.3
Other comprehensive income recognized during the period	3.1	2.6
Balance at end of period	$ (194.5)	$ (194.5)
Derivative instruments and hedging:		
Balance at beginning of period	$ 6.4	$ (18.6)
Reclassification adjustments (net of tax benefit of $1.9 million and $3.3 million in the three and six months ended July 2, 2022, respectively)	(7.8)	(14.4)
Other comprehensive income (loss) recognized during the period (net of tax benefit (expense) of $1.7 million and ($6.2) million in the three and six months ended July 2, 2022, respectively)	(5.8)	25.8
Balance at end of period	$ (7.2)	$ (7.2)
Foreign currency translation:		
Balance at beginning of period	$ (570.5)	$ (552.2)
Other comprehensive loss recognized during the period (net of tax expense of $4.0 million and $4.4 million in the three and six months ended July 2, 2022, respectively)	(182.0)	(200.3)
Balance at end of period	$ (752.5)	$ (752.5)
Total accumulated other comprehensive loss	$ (954.2)	$ (954.2)

In the three months ended July 2, 2022, foreign currency translation adjustments are primarily related to the weakening of the Euro and, to a lesser extent, the Chinese renminbi and the Brazilian real, relative to the U.S. dollar. In the six months ended July 2, 2022, foreign currency translation adjustments are primarily related to the weakening of the Euro, and to a lesser extent the Chinese renminbi, relative to the U.S. dollar.

In the three and six months ended July 2, 2022, foreign currency translation adjustments include pretax losses of $1.0 million and $1.5 million, respectively, related to intercompany transactions for which settlement is not planned or anticipated in the foreseeable future.

In the three and six months ended July 2, 2022, foreign currency translation adjustments also include derivative net investment hedge gains of $19.1 million and $19.4 million, respectively.

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

Lear Corporation Stockholders' Equity

Common Stock Share Repurchase Program

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

The Company has a common stock share repurchase program (the "Repurchase Program") which permits the discretionary repurchase of its common stock. Since its inception in the first quarter of 2011, the Company's Board of Directors (the "Board") has authorized $6.1 billion in share repurchases under the Repurchase Program, and the Company has repurchased, in aggregate, $4.9 billion of its outstanding common stock, at an average price of $91.93 per share, excluding commissions and related fees. As of July 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 six months of 2023 and the remaining purchase authorization as of July 1, 2023, are shown below (in millions, except for share and per share amounts):

Six Months Ended July 1, 2023				As of July 1, 2023
Aggregate Repurchases [(1)]	Cash Paid for Repurchases	Number of Shares	Average Price per Share [(2)]	Remaining Purchase Authorization
$ 63.1	$ 53.3	469,532	$ 134.39	$ 1,166.3

[(1)] Excludes excise tax
[(2)] Excludes commissions

In addition to shares repurchased under the Repurchase Program described above, the Company classifies shares withheld from the settlement of the Company's restricted stock unit and performance share awards to cover tax withholding requirements as common stock held in treasury in the condensed consolidated balance sheets.

Quarterly Dividend

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

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

	Six Months Ended	
	July 1, 2023	July 2, 2022
Dividends declared	$ 93.0	$ 93.4
Dividends paid	92.1	93.5

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 July 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 $15.1 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 six months ended July 1, 2023, is shown below (in millions):

Balance at January 1, 2023	$	30.4
Expense, net (including changes in estimates)		2.9
Settlements		(8.8)
Foreign currency translation and other		4.9
Balance at July 1, 2023	$	29.4

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 July 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 July 1, 2023			
	Seating	E-Systems	Other	Consolidated
Revenues from external customers	$ 4,468.1	$ 1,531.1	$ —	$ 5,999.2
Segment earnings [1]	292.9	52.9	(87.6)	258.2
Depreciation and amortization	98.6	47.4	5.2	151.2
Capital expenditures	89.3	73.7	5.3	168.3
Total assets	8,852.3	4,054.0	1,892.2	14,798.5

	Three Months Ended July 2, 2022			
	Seating	E-Systems	Other	Consolidated
Revenues from external customers	$ 3,874.1	$ 1,196.9	$ —	$ 5,071.0
Segment earnings [1]	213.9	2.0	(71.8)	144.1
Depreciation and amortization	93.5	53.4	4.7	151.6
Capital expenditures	105.8	60.0	6.4	172.2
Total assets	7,987.2	3,530.9	1,827.3	13,345.4

	Six Months Ended July 1, 2023			
	Seating	E-Systems	Other	Consolidated
Revenues from external customers	$ 8,921.1	$ 2,923.6	$ —	$ 11,844.7
Segment earnings [1]	578.7	95.2	(178.4)	495.5
Depreciation and amortization	194.5	93.6	10.3	298.4
Capital expenditures	152.9	117.3	9.9	280.1

LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Six Months Ended July 2, 2022			
	Seating	E-Systems	Other	Consolidated
Revenues from external customers	$ 7,786.6	$ 2,492.8	$ —	$ 10,279.4
Segment earnings [1]	414.0	17.9	(159.3)	272.6
Depreciation and amortization	186.3	99.6	9.1	295.0
Capital expenditures	182.9	106.1	13.5	302.5

[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		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Segment earnings	$ 258.2	$ 144.1	$ 495.5	$ 272.6
Interest expense	26.2	24.9	50.4	49.8
Other expense, net	19.5	14.4	33.2	41.7
Consolidated income before provision for income taxes and equity in net income of affiliates	$ 212.5	$ 104.8	$ 411.9	$ 181.1

(19) Financial Instruments

Debt Instruments

The carrying values of the Notes vary from their fair values. The fair values of the Notes were determined by reference to the quoted market prices of these securities (Level 2 input based on the GAAP fair value hierarchy). The carrying value of the Company's Term Loan approximates its fair value (Level 3 input based on the GAAP fair value hierarchy). The estimated fair value, as well as the carrying value, of the Company's debt instruments are shown below (in millions):

	July 1, 2023	December 31, 2022
Estimated aggregate fair value [1]	$ 2,365.6	$ 2,142.3
Aggregate carrying value [1] [2]	2,750.0	2,600.0

[1] Excludes "other" debt
[2] Excludes the impact of unamortized debt issuance costs and unamortized original issue premium (discount)

Cash, Cash Equivalents and Restricted Cash

The Company has cash on deposit that is legally restricted as to use or withdrawal. A reconciliation of cash and cash equivalents reported on the accompanying condensed consolidated balance sheets to cash, cash equivalents and restricted cash reported on the accompanying condensed consolidated statements of cash flows is shown below (in millions):

	July 1, 2023	July 2, 2022
Balance sheet:		
Cash and cash equivalents	$ 901.9	$ 828.0
Restricted cash included in other current assets	1.4	—
Restricted cash included in other long-term assets	2.0	2.9
Statement of cash flows:		
Cash, cash equivalents and restricted cash	$ 905.3	$ 830.9

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 July 1, 2023 and December 31, 2022, accounts receivable are reflected net of reserves of $32.5 million and $35.3 million, respectively. Changes in expected credit losses were not significant in the first six 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):

	July 1, 2023	December 31, 2022
Current assets	$ 1.8	$ 3.6
Other long-term assets	62.2	53.6
	$ 64.0	$ 57.2

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

Equity Securities Without Readily Determinable Fair Values

As of July 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 July 1, 2023 and December 31, 2022, respectively. During the six months ended July 1, 2023, the Company recognized an impairment charge of $5.0 million related to its investment in an affiliate.

Derivative Instruments and Hedging Activities

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

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

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

Foreign Exchange

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

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

Net Investment Hedges

The Company uses cross-currency interest rate swaps, which are designated as net investment hedges of the foreign currency rate exposure of its investment in certain Euro-denominated subsidiaries. In the six months ended July 1, 2023 and July 2, 2022, contra interest expense on net investment hedges of $1.2 million and $3.0 million, respectively, is included in interest expense in the accompanying condensed consolidated statements of comprehensive income (loss).

Balance Sheet Classification

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

	July 1, 2023	December 31, 2022
Fair value of foreign currency contracts designated as cash flow hedges:		
Other current assets	$ 160.1	$ 63.4
Other long-term assets	30.8	10.3
Other current liabilities	(0.5)	(6.7)
Other long-term liabilities	(0.1)	(0.2)
	190.3	66.8
Notional amount	$ 1,582.4	$ 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	$ 1.5	$ 4.8
Notional amount	$ 150.0	$ 150.0
Outstanding maturities in months, not to exceed	33	39
Fair value of foreign currency contracts not designated as hedging instruments:		
Other current assets	$ 10.2	$ 9.5
Other current liabilities	(0.6)	(13.4)
	9.6	(3.9)
Notional amount	$ 632.9	$ 758.6
Outstanding maturities in months, not to exceed	4	7
Total fair value	$ 201.4	$ 67.7
Total notional amount	$ 2,365.3	$ 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		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Gains (losses) recognized in accumulated other comprehensive loss:				
Foreign currency contracts	$ 96.3	$ (7.5)	$ 192.0	$ 32.0
Net investment hedge contracts	(2.5)	19.1	(3.3)	19.4
	93.8	11.6	188.7	51.4
(Gains) losses reclassified from accumulated other comprehensive loss to:				
Net sales	(0.3)	(3.3)	0.4	(4.9)
Cost of sales	(45.2)	(7.0)	(69.3)	(14.0)
Interest expense	0.6	0.6	1.2	1.2
Other expense, net	—	—	0.4	—
	(44.9)	(9.7)	(67.3)	(17.7)
Comprehensive income	$ 48.9	$ 1.9	$ 121.4	$ 33.7

As of July 1, 2023 and December 31, 2022, pretax net gains of $193.2 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	$ 159.6
Interest rate swap contracts	(2.4)
Total	$ 157.2

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

	July 1, 2023					
	Frequency	Asset (Liability)	Valuation Technique	Level 1	Level 2	Level 3
Foreign currency contracts, net	Recurring	$ 199.9	Market/ Income	$ —	$ 199.9	$ —
Net investment hedges	Recurring	1.5	Market/ Income	—	1.5	—
Marketable equity securities	Recurring	64.0	Market	64.0	—	—

	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 July 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 six months of 2023.

Items Measured at Fair Value on a Non-Recurring Basis

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

As a result of the acquisition of IGB (Note 3, "Acquisitions"), Level 3 fair value estimates related to property, plant and equipment of $49.7 million, developed technology and customer-based intangible assets of $17.0 million and right-of-use assets of $14.3 million are recorded in the accompanying condensed consolidated balance sheet as of July 1, 2023. Fair value estimates of property, plant and equipment were based on independent appraisals, giving consideration to the highest and best use of the assets. Key assumptions used in the appraisals were based on a combination of market and cost approaches, as appropriate. Fair value estimates of developed technology intangible assets were based on the relief from royalty approach. Fair value estimates of customer-based intangible assets were based on the multi-period excess earnings method. Fair value estimates of right-of-use assets were based on a market approach.

In the six months ended July 1, 2023, the Company completed impairment assessments related to certain of its intangible assets resulting from changes in the intended use of such assets and recorded impairment charges of $1.9 million. The fair value estimate of the related asset group was based on management's estimates using a discounted cash flow method.

In the six months ended July 1, 2023, the Company completed an impairment assessment related to certain right-of-assets in conjunction with its restructuring actions and recorded an impairment charge of $9.6 million (Note 4, "Restructuring"). The fair value estimates of the related assets were based on management's estimates using a discounted cash flow method.

As of July 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, to a lesser extent, 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 thermal comfort systems (including seat massage, lumbar, heat, ventilation and active cooling), additional advanced comfort solutions (including safety and wellness products) and configurable seating product technologies. All of these products are compatible with traditional internal combustion engine ("ICE") architectures and electrified powertrains, including the full range of hybrid, plug-in hybrid and battery electric architectures. Our advanced comfort solutions are facilitated by our seat system, component and integration capabilities, together with our competencies in electronics, sensors, software and algorithms. As the most vertically integrated global seat supplier, our key seat component product offerings include seat trim covers; surface materials such as leather and fabric; seat mechanisms; seat foam; thermal comfort systems such as seat massage, lumbar, heat, ventilation and active cooling products; and headrests.

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

We serve all of the world's major automotive manufacturers across both our Seating and E-Systems businesses, and we have automotive content on more than 450 vehicle nameplates worldwide. It is common for us to have both Seating and E-Systems content on the same vehicle platform.

Our businesses benefit globally from leveraging common operating standards and disciplines, including world-class product development and manufacturing processes, as well as common customer support and regional infrastructures, all of which contribute to our reputation for operational excellence. Our core capabilities are shared across component categories and include: high-precision manufacturing and assembly with short lead times; complex, global supply chain management; global engineering and program management; the agility to establish and/or transfer production between facilities quickly; and a unique, customer-focused culture. In select instances, we 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 5% in 2023 compared to 2022 (based on July 2023 S&P Global Mobility projections), production remains below recent historic levels. Global industry production in 2023 is expected to be approximately 2% below 2019 pre-pandemic levels and 9% 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 six months of 2023, as compared to the first six months of 2022, are shown below (in thousands of units):

	Six Months Ended		
	July 1, 2023 [1]	July 2, 2022 [1] [2]	% Change
North America	7,966.5	7,097.8	12 %
Europe and Africa	9,400.2	8,071.8	16 %
Asia	22,940.6	20,867.2	10 %
South America	1,372.3	1,251.6	10 %
Other	799.7	895.4	(11)%
Global light vehicle production	42,479.3	38,183.8	11 %

[1] Production data based on S&P Global Mobility
[2] Production data for 2022 have been updated from our second 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 profitability of the products, including the level of vertical integration, that we supply for these platforms. The loss of business with respect to any vehicle model for which we are a significant supplier, or a decrease in the production levels of any such models, could adversely affect our operating results. In addition, larger cars and light trucks, as well as vehicle platforms that offer more features and functionality, such as luxury, sport utility and crossover vehicles, typically have more content and, therefore, tend to have a more significant impact on our operating results.

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

	Six Months Ended	
	July 1, 2023	July 2, 2022
North America	41 %	43 %
Europe and Africa	37 %	34 %
Asia	18 %	19 %
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 and sustainability (e.g., government mandates related to fuel economy and carbon emissions) 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 65.7% in the first six months of 2023, as compared to 66.2% in the first six months of 2022. Raw material, energy, commodity and product component costs can be volatile, reflecting, among other things, changes in supply and demand, logistics issues, global trade and tariff policies, and geopolitical issues. Our primary commodity cost exposures relate to steel, copper and leather. We have developed and implemented strategies to mitigate the impact of such costs through the selective in-sourcing of components, the continued consolidation of our supply base, longer-term purchase commitments, contractual recovery mechanisms and the selective expansion of low-cost country sourcing and engineering, as well as value engineering and product benchmarking. Further, our exposure to changes in steel prices is primarily indirect, through purchased components, and a significant portion of our copper, leather and direct steel purchases are subject to price index agreements with our customers and suppliers. Certain of these strategies also may limit our opportunities in a declining price environment. In the current environment of elevated raw material, energy, commodity and product component costs, these strategies, together with commercial negotiations with our customers and suppliers, 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 increased our vertical integration capabilities globally, as well as expanded our component manufacturing capacity in Asia, Eastern Europe, Mexico and Northern Africa and our low-cost engineering capabilities in Asia, Eastern Europe and Northern Africa.

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

Acquisition

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

Operational Restructuring

In the first half of 2023, we incurred pretax restructuring costs of $48 million and related manufacturing inefficiency charges of approximately $1 million, as compared to pretax restructuring costs of $72 million and related manufacturing inefficiency charges of approximately $3 million in the first half of 2022. None of the individual restructuring actions initiated in the first half 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 $21 million of additional restructuring costs related to activities initiated as of July 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 May 1, 2023, we borrowed $150 million under our Term Loan to finance, in part, the acquisition of IGB.

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

Share Repurchase Program and Quarterly Cash Dividends

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

Since the first quarter of 2011, our Board of Directors (the "Board") has authorized $6.1 billion in share repurchases under our common stock share repurchase program. In the first half of 2023, we repurchased $63 million of shares. As of July 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 and second quarters of 2023.

For further information related to our common stock share repurchase program and our quarterly cash dividends, see "— Liquidity and Capital Resources — Capitalization" below and Note 16, "Comprehensive Income (Loss) and Equity," to the condensed consolidated financial statements included in this Report.

Other Matters

In the three and six months ended July 1, 2023, we recognized net tax benefits of $14 million and $17 million, respectively, related to the release of valuation allowances at a foreign subsidiary, the release of tax reserves at several foreign subsidiaries, restructuring charges and various other items.

In the three and six months ended July 2, 2022, we recognized net tax benefits of $13 million and $25 million, respectively, related to the release of tax reserves at several foreign subsidiaries, the release of valuation allowances on the deferred tax assets of a foreign subsidiary, share-based compensation, restructuring charges and various other items.

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

	Three Months Ended		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Costs related to restructuring actions, including manufacturing inefficiencies of $1 million in the three and six months ended July 1, 2023, and $1 million and $3 million in the three and six months ended July 2, 2022, respectively	$ 34	$ 43	$ 49	$ 75
Acquisition costs	—	(1)	1	9
Acquisition-related inventory fair value adjustment	2	1	2	1
Intangible asset impairment	1	9	2	9
Costs (insurance recoveries) related to typhoon in the Philippines, net	—	(6)	—	5
Foreign exchange (gains) losses due to foreign exchange rate volatility related to Russia	(1)	2	(2)	14
Impairment of affiliate	—	—	5	—
Tax benefit, net	(14)	(13)	(17)	(25)

For further information regarding these items, see Note 3, "Acquisitions," Note 4, "Restructuring," Note 7, "Long-Lived Assets," Note 8, "Goodwill and Indefinite-Lived Intangible Assets," Note 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				Six Months Ended			
	July 1, 2023		July 2, 2022		July 1, 2023		July 2, 2022	
Net sales								
Seating	$ 4,468.1	74.5 %	$ 3,874.1	76.4 %	$ 8,921.1	75.3 %	$ 7,786.6	75.7 %
E-Systems	1,531.1	25.5	1,196.9	23.6	2,923.6	24.7	2,492.8	24.3
Net sales	5,999.2	100.0	5,071.0	100.0	11,844.7	100.0	10,279.4	100.0
Cost of sales	5,542.2	92.4	4,731.1	93.3	10,957.7	92.5	9,618.0	93.6
Gross profit	457.0	7.6	339.9	6.7	887.0	7.5	661.4	6.4
Selling, general and administrative expenses	182.8	3.0	171.2	3.4	359.6	3.0	348.5	3.4
Amortization of intangible assets	16.0	0.3	24.6	0.5	31.9	0.3	40.3	0.4
Interest expense	26.2	0.4	24.9	0.5	50.4	0.4	49.8	0.5
Other expense, net	19.5	0.4	14.4	0.2	33.2	0.3	41.7	0.4
Provision for income taxes	41.5	0.7	23.5	0.5	87.1	0.8	43.9	0.4
Equity in net income of affiliates	(16.2)	(0.3)	(4.3)	(0.1)	(25.8)	(0.2)	(15.0)	(0.1)
Net income attributable to noncontrolling interests	18.5	0.3	17.1	0.3	38.3	0.3	34.3	0.3
Net income attributable to Lear	$ 168.7	2.8 %	$ 68.5	1.4 %	$ 312.3	2.6 %	$ 117.9	1.1 %

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

Net sales in the second quarter of 2023 were $6.0 billion, as compared to $5.1 billion in the second quarter of 2022, an increase of $928 million or 18%. Higher production volumes on Lear platforms and new business in every region favorably impacted net sales by $642 million and $257 million, respectively. These increases were partially offset by the impact of foreign exchange rate fluctuations, which reduced net sales by $35 million.

(in millions)	Cost of Sales
Second quarter 2022	$ 4,731.1
Material cost	574.0
Labor and other	229.7
Depreciation	7.4
Second quarter 2023	$ 5,542.2

Cost of sales was $5.5 billion in the second quarter of 2023, as compared to $4.7 billion in the second quarter of 2022. Higher production volumes on Lear platforms and new business in every region increased cost of sales. These increases were partially offset by the impact of foreign exchange fluctuations, which reduced cost of sales.

Gross profit and gross margin were $457 million and 7.6% of net sales, respectively, in the second quarter of 2023, as compared to $340 million and 6.7% of net sales, respectively, in the second quarter of 2022. Higher production volumes on Lear platforms and new business positively impacted gross profit by $136 million. The impact of favorable operating performance, including the benefit of restructuring actions, was offset by selling price reductions. These factors had a corresponding impact on gross margin.

Selling, general and administrative expenses, including engineering and development expenses, were $183 million in the second quarter of 2023, as compared to $171 million in the second quarter of 2022. As a percentage of net sales, selling, general and administrative expenses were 3.0% in the second quarter of 2023, as compared to 3.4% in the second quarter of 2022, primarily reflecting higher sales and lower restructuring costs in the second quarter of 2023.

Amortization of intangible assets was $16 million (including a $1 million impairment charge) in the second quarter of 2023, as compared to $25 million (including a $9 million impairment charge) in the second quarter of 2022.

Interest expense was $26 million in the second quarter of 2023, as compared to $25 million in the second 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 $20 million in the second quarter of 2023, as compared to $14 million in the second quarter of 2022. In the second quarters of 2023 and 2022, we recognized foreign exchange losses of $16 million and $6 million, respectively.

In the second quarter of 2023, the provision for income taxes was $42 million, representing an effective tax rate of 19.5% on pretax income before equity in net income of affiliates of $213 million. In the second quarter of 2022, the provision for income taxes was $24 million, representing an effective tax rate of 22.4% on pretax income before equity in net income of affiliates of $105 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 second 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 second quarter of 2023, we recognized net tax benefits of $14 million related to the release of valuation allowances on the deferred tax assets of a foreign subsidiary, the release of tax reserves at several foreign subsidiaries, restructuring charges and various other items. In the second quarter of 2022, we recognized net tax benefits of $13 million related to the release of tax reserves at several foreign subsidiaries, share-based compensation, restructuring charges and various other items.

Excluding these items, the effective tax rate for the second 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 $16 million in the second quarter of 2023, as compared to $4 million in the second quarter of 2022, primarily reflecting the higher earnings of certain of our joint ventures in Asia.

Net income attributable to Lear was $169 million, or $2.84 per diluted share, in the second quarter of 2023, as compared to $69 million, or $1.14 per diluted share, in the second 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.

<u>Seating</u>

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

	Three Months Ended	
	July 1, 2023	**July 2, 2022**
Net sales	$ 4,468.1	$ 3,874.1
Segment earnings [1]	292.9	213.9
Margin	6.6 %	5.5 %

[1] See definition above

Seating net sales were $4.5 billion in the second quarter of 2023, as compared to $3.9 billion in the second quarter of 2022, reflecting an increase of $594 million or 15%. Higher production volumes on Lear platforms and new business favorably impacted net sales by $413 million and $163 million, respectively. These increases were partially offset by foreign exchange fluctuations, which reduced net sales by $26 million.

Segment earnings, including restructuring costs, and the related margin on net sales were $293 million and 6.6% in the second quarter of 2023, as compared to $214 million and 5.5% in the second quarter of 2022. Higher production volumes on Lear platforms and new business positively impacted segment earnings by $89 million. The impact of favorable operating performance, including the benefit of operational restructuring actions, was offset by selling price reductions and higher restructuring costs.

E-Systems

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

	Three Months Ended	
	July 1, 2023	July 2, 2022
Net sales	$ 1,531.1	$ 1,196.9
Segment earnings[(1)]	52.9	2.0
Margin	3.5 %	0.2 %

[(1)] See definition above

E-Systems net sales were $1.5 billion in the second quarter of 2023, as compared to $1.2 billion in the second quarter of 2022, reflecting an increase of $334 million or 28%. Higher production volumes on Lear platforms and new business favorably impacted net sales by $229 million and $94 million, respectively. These increases were partially offset by foreign exchange fluctuations, which reduced net sales by $9 million.

Segment earnings, including restructuring costs, and the related margin on net sales were $53 million and 3.5% in the second quarter of 2023, as compared to $2 million and 0.2% in the second quarter of 2022. Higher production volumes on Lear platforms and new business positively impacted segment earnings by $47 million. The impact of favorable operating performance, including the benefit of operational restructuring actions, and lower restructuring costs was offset by selling price reductions.

Other

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

	Three Months Ended	
	July 1, 2023	July 2, 2022
Net sales	$ —	$ —
Segment earnings [(1)]	(87.6)	(71.8)
Margin	N/A	N/A

[(1)] See definition above

Segment earnings related to our other category were ($88) million in the second quarter of 2023, as compared to ($72) million in the second quarter of 2022, primarily reflecting higher compensation-related costs.

Six Months Ended July 1, 2023 vs. Six Months Ended July 2, 2022

Net sales for the six months ended July 1, 2023 were $11.8 billion, as compared to $10.3 billion for the six months ended July 2, 2022, an increase of $1.6 billion or 15%. Higher production volumes on Lear platforms and new business in every region favorably impacted net sales by $1.2 billion and $0.4 billion, respectively. These increases were partially offset by the impact of foreign exchange rate fluctuations, which reduced net sales by $0.2 billion.

(in millions)	Cost of Sales
First six months of 2022	$ 9,618.0
Material cost	978.4
Labor and other	351.4
Depreciation	9.9
First six months of 2023	$ 10,957.7

Cost of sales in the first six months of 2023 was $11.0 billion, as compared to $9.6 billion in the first six months of 2022. Higher production volumes on Lear platforms and new business in every region increased cost of sales. These increases were partially offset by the impact of foreign exchange fluctuations, which reduced cost of sales.

Gross profit and gross margin were $887 million and 7.5% of net sales, respectively, for the six months ended July 1, 2023, as compared to $661 million and 6.4% of net sales, respectively, for the six months ended July 2, 2022. Higher production volumes on Lear platforms and new business positively impacted gross profit by $240 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 $360 million in the first six months of 2023, as compared to $349 million in the first six months of 2022. As a percentage of net sales, selling, general and administrative expenses were 3.0% in the first six months of 2023, as compared to 3.4% in the first six months of 2022, primarily reflecting higher sales and lower restructuring costs in the first six months of 2023.

Amortization of intangible assets was $32 million, including a $2 million impairment charge, in the first six months of 2023, as compared to $40 million, including a $9 million impairment charge, in the first six months of 2022.

Interest expense was $50 million in the first six months of 2023 and 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 $33 million in the six months ended July 1, 2023, as compared to $42 million in the six months ended July 2, 2022. In the first six months of 2023, we recognized foreign exchange losses of $21 million (including gains of $2 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 six months of 2022, we recognized foreign exchange losses of $26 million (including losses of $14 million related to foreign exchange rate volatility in Russia).

For the six months ended July 1, 2023, the provision for income taxes was $87 million, representing an effective tax rate of 21.1% on pretax income before equity in net income of affiliates of $412 million. For the six months ended July 2, 2022, the provision for income taxes was $44 million, representing an effective tax rate of 24.2% on pretax income before equity in net income of affiliates of $181 million, for reasons described below. For further information, see Note 14, "Income Taxes," to the condensed consolidated financial statements included in this Report.

In the first six months of 2023 and 2022, the provision for income taxes was primarily impacted by the level and mix of earnings among tax jurisdictions. In the first six months of 2023, we recognized net tax benefits of $17 million related to the release of valuation allowances on deferred tax assets of a foreign subsidiary, the release of tax reserves at several foreign subsidiaries, restructuring charges and various other items. In the first six months of 2022, we recognized net tax benefits of $25 million related to the release of tax reserves at several foreign subsidiaries, the release of valuation allowances on the deferred tax assets of a foreign subsidiary, share-based compensation, restructuring charges and various other items. Excluding these items, the effective tax rate for the first six months of 2023 and 2022 approximated the U.S. federal statutory income tax rate of 21%, adjusted for income taxes on foreign earnings, losses and remittances, valuation allowances, tax credits, income tax incentives and other permanent items.

Equity in net income of affiliates was $26 million in the first six months of 2023, as compared to $15 million in the first six months of 2022, primarily reflecting the higher earnings of certain of our joint ventures in Asia.

Net income attributable to Lear was $312 million, or $5.25 per diluted share, for the six months ended July 1, 2023, as compared to $118 million, or $1.96 per diluted share, for the six months ended July 2, 2022. Net income and diluted net income per share increased for the reasons described above.

Reportable Operating Segments

We have two reportable operating segments: Seating and E-Systems. For a description of our reportable operating segments, see "Executive Overview" and "Three Months Ended July 1, 2023 vs. Three Months Ended July 2, 2022 — Reportable Operating Segments" above.

Seating

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

	Six Months Ended	
	July 1, 2023	July 2, 2022
Net sales	$ 8,921.1	$ 7,786.6
Segment earnings [1]	578.7	414.0
Margin	6.5 %	5.3 %

[1] See definition above

Seating net sales were $8.9 billion for the six months ended July 1, 2023, as compared to $7.8 billion for the six months ended July 2, 2022, an increase of $1.1 billion or 15%. Higher production volumes on Lear platforms and new business favorably impacted net sales by $881 million and $288 million, respectively. Net sales also benefited by $87 million due to our acquisitions of IGB and Kongsberg ICS. These increases were partially offset by foreign exchange fluctuations, which reduced net sales by $164 million.

Segment earnings, including restructuring costs, and the related margin on net sales were $579 million and 6.5% for the six months ended July 1, 2023, as compared to $414 million and 5.3% for the six months ended July 2, 2022. Higher production volumes on Lear platforms and new business positively impacted segment earnings by $176 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):

	Six Months Ended	
	July 1, 2023	July 2, 2022
Net sales	$ 2,923.6	$ 2,492.8
Segment earnings [1]	95.2	17.9
Margin	3.3 %	0.7 %

[1] See definition above

E-Systems net sales were $2.9 billion for the six months ended July 1, 2023, as compared to $2.5 billion for the six months ended July 2, 2022, an increase of $431 million or 17%. Higher production volumes on Lear platforms and new business favorably impacted net sales by $309 million and $118 million, respectively. These increases were partially offset by foreign exchange fluctuations, which reduced net sales by $69 million.

Segment earnings, including restructuring costs, and the related margin on net sales were $95 million and 3.3% for the six months ended July 1, 2023, as compared to $18 million and 0.7% for the six months ended July 2, 2022. Higher production volumes on Lear platforms and new business positively impacted segment earnings by $64 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):

	Six Months Ended	
	July 1, 2023	July 2, 2022
Net sales	$ —	$ —
Segment earnings[1]	(178.4)	(159.3)
Margin	N/A	N/A

[1] See definition above

Segment earnings related to our other category were ($178) million in the first six months of 2023, as compared to ($159) million in the first six months of 2022, primarily reflecting higher compensation-related costs.

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 July 1, 2023 and December 31, 2022, cash and cash equivalents of $595 million and $790 million, respectively, were held in foreign subsidiaries and can be repatriated, primarily through the repayment of intercompany loans and the payment of dividends. There are no material restrictions on the ability of our subsidiaries to pay dividends or make other distributions to Lear.

For further information related to potential dividends from our non-U.S. subsidiaries, see Note 9, "Income Taxes," to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022.

Adequacy of Liquidity Sources

As of July 1, 2023, we had $902 million of cash and cash equivalents on hand and $2.0 billion in available borrowing capacity under our credit agreement. Together with cash provided by operating activities, we believe that this will enable us to meet our liquidity needs for the foreseeable future and to satisfy ordinary course business obligations. In addition, we expect to continue to pay quarterly cash dividends and repurchase shares of our common stock pursuant to our authorized common stock share repurchase program, although such actions are at the discretion of our Board and will depend upon our financial condition, results of operations, capital requirements, prevailing market conditions, alternative uses of capital and other factors that our Board may consider at its discretion.

Our future financial results and our ability to continue to meet our liquidity needs are subject to, and will be affected by, cash flows from operations, as well as restructuring activities, automotive industry conditions, the financial condition of our customers and suppliers, supply chain disruptions and other related factors. Additionally, an economic downturn or further reduction in production levels could negatively impact our financial condition.

For further discussion of the risks and uncertainties affecting our cash flows from operations and our overall liquidity, see "— Executive Overview" above, "— Forward-Looking Statements" below and Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2022, as supplemented and updated by Part II — Item 1A, "Risk Factors," in this Report.

Cash Flows

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

	Six Months Ended July 1, 2023	Six Months Ended July 2, 2022	Increase (Decrease) in Cash Flow
Consolidated net income and depreciation and amortization	$ 649	$ 447	$ 202
Net change in working capital items:			
Accounts receivable	(775)	(469)	(306)
Inventory	(74)	(76)	2
Accounts payable	410	289	121
Accrued liabilities and other	111	78	33
Net change in working capital items	(328)	(178)	(150)
Other	(45)	(37)	(8)
Net cash provided by operating activities	$ 276	$ 232	$ 44
Net cash used in investing activities	$ (450)	$ (485)	$ 35
Net cash used in financing activities	$ (48)	$ (222)	$ 174

Operating Activities

In the first six months of 2023 and 2022, net cash provided by operating activities was $276 million and $232 million, respectively. The overall increase in operating cash flow primarily reflects our higher earnings in the first six months of 2023, as compared to the first six months of 2022, partially offset by a larger increase in working capital in the first six months of 2023, as compared to the first six months of 2022, to support our higher sales.

Investing Activities

Net cash used in investing activities was $450 million in the first six months of 2023, as compared to $485 million in the first six months of 2022. In the first six months of 2023, we paid $175 million for our acquisition of IGB. In the first six months of 2022, we paid $184 million for our acquisition of Kongsberg ICS. Capital spending was $280 million in the first six months of 2023, as compared to $303 million in the first six months of 2022. Capital spending is estimated to be $700 million in 2023.

Financing Activities

Net cash used in financing activities was $48 million in the first six months of 2023, as compared to $222 million in the first six months of 2022. In the first six months of 2023, we borrowed $150 million under our Term Loan and paid $53 million for repurchases of our common stock, $92 million in dividends to Lear stockholders and $46 million in dividends to noncontrolling interest holders. In the first six months of 2022, we paid $50 million for repurchases of our common stock, $94 million in dividends to Lear stockholders and $53 million in dividends to noncontrolling interest holders.

Capitalization

Short-Term Borrowings

We utilize uncommitted lines of credit as needed for our short-term working capital fluctuations. As of July 1, 2023 and December 31, 2022, we had lines of credit from banks totaling $297 million and $298 million, respectively. As of July 1, 2023 and December 31, 2022, we had short-term debt balances outstanding related to draws on our lines of credit of $27 million and $10 million, respectively.

Senior Notes and Credit Agreement

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

Term Loan

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

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

Common Stock Share Repurchase Program and Quarterly Cash Dividends

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

Commodity Prices and Availability

Raw material, energy and commodity costs can be volatile, reflecting, among other things, changes in supply and demand, logistics issues, global trade and tariff policies, and geopolitical issues. We have commodity price risk with respect to purchases of certain raw materials, including steel, copper, diesel fuel, chemicals, resins and leather. Our primary commodity cost exposures relate to steel, copper and leather. We have developed and implemented strategies to mitigate the impact of such costs through the selective in-sourcing of components, the continued consolidation of our supply base, longer-term purchase commitments, contractual recovery mechanisms and the selective expansion of low-cost country sourcing and engineering, as well as value engineering and product benchmarking. Further, the majority of the steel used in our products is comprised of fabricated components that are integrated into a seat system, such as seat frames, recliner mechanisms, seat tracks and other mechanical components. Therefore, our exposure to changes in steel prices is primarily indirect, through purchased components. Additionally, approximately 91% of our copper purchases and a significant portion of our leather and direct steel purchases are subject to price index agreements with our customers and suppliers. Certain of these strategies also may limit our opportunities in a declining commodity price environment. In the current environment of elevated raw material, energy and commodity costs, these strategies, together with commercial negotiations with our customers and suppliers, 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 July 1, 2023, we have recorded reserves for pending legal disputes, including commercial and contractual disputes, product liability claims and other legal matters, of $15 million. In addition, as of July 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 six 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):

	July 1, 2023	December 31, 2022
Notional amount (contract maturities < 24 months)	$ 2,215	$ 2,306
Fair value	200	63

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

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

	Hypothetical Strengthening % [(1)]	Potential Earnings Benefit (Adverse Earnings Impact) July 1, 2023	December 31, 2022
U.S. dollar	10%	$ 14	$ 8
Euro	10%	29	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 July 1, 2023	December 31, 2022
U.S. dollar	10%	$ 74	$ 84
Euro	10%	102	70

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

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

In addition to the transactional exposure described above, our operating results are impacted by the translation of our foreign operating income into U.S. dollars ("translational exposure"). In 2022, net sales outside of the United States accounted for 77% of our consolidated net sales, although certain non-U.S. sales are U.S. dollar denominated. We do not enter into foreign exchange contracts to mitigate our translational exposure.

Interest Rates

Our variable rate obligations are sensitive to changes in interest rates. As of July 1, 2023, we had $150 million outstanding under our Term Loan. Advances under the Term Loan generally bear interest based on the Daily or Term SOFR (as defined in the Term Loan agreement) plus a margin determined in accordance with a pricing grid that ranges from 1.00% to 1.525%.

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

ITEM 4 — CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

The Company has evaluated, under the supervision and with the participation of the Company's management, including the Company's President and Chief Executive Officer along with the Company's Senior Vice President and Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (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 July 1, 2023, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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

PART II — OTHER INFORMATION

ITEM 1 — LEGAL PROCEEDINGS

We are involved from time to time in various legal proceedings and claims, including, without limitation, commercial or contractual disputes, product liability claims, and environmental and other matters. For a description of risks related to various legal proceedings and claims, see Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2022. For a description of our outstanding material legal proceedings, see Note 17, "Legal and Other Contingencies," to the condensed consolidated financial statements included in this Report.

ITEM 1A — RISK FACTORS

There have been no material changes from the risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022.

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

As discussed in Part I — Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Executive Overview — Share Repurchase Program and Quarterly Cash Dividends," and Note 16, "Comprehensive Income (Loss) and Equity," to the condensed consolidated financial statements included in this Report, we have a remaining repurchase authorization of $1,166.3 million under our ongoing common stock share repurchase program.

A summary of the shares of our common stock repurchased during the quarter ended July 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)
April 2, 2023 through April 29, 2022	$ 8,987	$126.87	$ 8,987	$ 1,203.2
April 30, 2023 through May 27, 2023	119,413	$123.88	119,413	1,188.4
May 28, 2023 through July 1, 2023	158,230	$139.46	158,230	1,166.3
Total	$ 286,630	$132.58	$ 286,630	$ 1,166.3

ITEM 5 — OTHER INFORMATION

(c) Furnish the information required by Item 408(a) of Regulation S-K (17 CFR 229.408(a)).

During the three months ended July 1, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in item 408(a) of Regulation S-K.

ITEM 6 — EXHIBITS

Exhibit Index

	Exhibit Number		Exhibit Name
**	10.1	*	Lear Corporation 2019 Long-Term Stock Incentive Plan (amended and restated as of May 18, 2023)
**	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

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

LEAR CORPORATION

SIGNATURES

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

LEAR CORPORATION

Dated:	August 1, 2023	By:	/s/ Raymond E. Scott
			Raymond E. Scott
			President and Chief Executive Officer
		By:	/s/ Jason M. Cardew
			Jason M. Cardew
			Senior Vice President and Chief Financial Officer

LEAR CORPORATION
2019 LONG-TERM STOCK INCENTIVE PLAN
(As Amended and Restated as of May 18, 2023)

Article 1. Establishment, Objectives and Duration

1.1 Establishment of the Plan. Lear Corporation, a Delaware corporation (the **“Company”**), hereby establishes this Lear Corporation 2019 Long-Term Stock Incentive Plan, as set forth in this document and as may be amended or amended and restated from time to time (the **“Plan”**). Capitalized terms used but not otherwise defined herein will have the meanings given to them in Article 2. The Plan permits the grant of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Units, Restricted Stock Units, Performance Shares, Performance Units and other cash and equity incentive Awards. The Plan was approved by the Committee on March 26, 2019 and by the Company’s shareholders on May 16, 2019 (the **“Effective Date”**). The Plan was most recently amended and restated by the Committee on March 20, 2023 and by the Company’s shareholders on May 18, 2023. The Plan will remain in effect thereafter as provided in Section 1.3 hereof. Following the Effective Date, no new awards will be granted under the Lear Corporation 2009 Long-Term Stock Incentive Plan, as amended (the **“Prior Plan”**). For the avoidance of doubt, the Prior Plan and any applicable award agreements issued thereunder will continue to govern any awards that remain outstanding thereunder on and after the Effective Date.

1.2 Objectives of the Plan. The objectives of the Plan are to optimize the profitability and growth of the Company through long-term incentives that are consistent with the Company’s objectives and that link the interests of Participants to those of the Company’s shareholders; to provide Participants with an incentive for excellence in individual performance; to promote teamwork among Participants; and to give the Company a significant advantage in attracting and retaining officers, key Employees and Directors.

The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract and retain the services of Participants who make significant contributions to the Company’s success, and to allow Participants to share in the success of the Company.

1.3 Duration of the Plan. The Plan will commence on the Effective Date, as defined in Article 2, and will remain in effect, subject to the right of the Committee to amend or terminate the Plan at any time pursuant to Article 15, until all Shares subject to it pursuant to Article 4 have been issued or transferred according to the Plan’s provisions. In no event may an Award be granted under the Plan on or after the ten (10) year anniversary of the Effective Date.

Article 2. Definitions

Whenever used in the Plan, the following terms have the meanings set forth below, and when the meaning is intended, the initial letter of the word is capitalized:

“Affiliates” means any entity that, directly or indirectly, is controlled by, controls or is under common control with, the Company or in which the Company has a significant equity interest, in either case as determined by the Committee; provided, however, that the definition of

Affiliate shall be limited to entities that are eligible issuers of service recipient stock (as defined in Treas. Reg. Section 1.409A-1(b)(5)(iii)(E), or applicable successor regulation) for Awards that would otherwise be subject to Section 409A, unless the Committee determines otherwise. Notwithstanding the foregoing, for purposes of determining whether a Participant has terminated employment with the Company and all Affiliates, "Affiliates" means any corporation (or partnership, limited liability company, joint venture, or other enterprise) of which the Company owns or controls, directly or indirectly, at least ten percent (10%) of the outstanding shares of stock normally entitled to vote for the election of directors (or comparable equity participation and voting power). The minimum percentage of ownership or control in the previous sentence shall be raised from ten percent (10%) to twenty percent (20%) for purposes of determining timing of payment of an Award, or amount payable with respect to an Award, that is "deferred compensation" for purposes of Code Section 409A, if payment of such Award or amount would be accelerated or otherwise triggered by a Participant's termination of employment.

"Automatic Exercise Date" means, with respect to an Option or a Stock Appreciation Right, the last business day of the applicable term of the Option pursuant to Section 6.12 or the Stock Appreciation Right pursuant to Section 7.9.

"Award" means, individually or collectively, a grant under this Plan to a Participant of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Units, Restricted Stock Units, Performance Shares, Performance Units or other types of equity-based or cash-based incentives hereafter approved by the Committee.

"Award Agreement" means an agreement entered into by the Company and a Participant setting forth the terms and provisions applicable to an Award or Awards granted to the Participant.

"Beneficial Owner" or **"Beneficial Ownership"** has the meaning ascribed to that term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

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

"Cause" means, unless otherwise set forth in the applicable Award Agreement, with respect to a Participant, "Cause" as defined in any unexpired, written employment or severance or similar agreement between the Participant and the Company or an Affiliate. If there is no such agreement or if such agreement does not define "Cause," then "Cause" means:

a. the willful and continued failure of the Participant substantially to perform his or her duties with or for the Company or an Affiliate;

b. the Participant's engaging in conduct that is significantly injurious to the Company or an Affiliate, monetarily or otherwise;

c. the Participant's commission of a crime that is significantly injurious to the Company or an Affiliate, monetarily, reputationally or otherwise;

d. the Participant's abuse of illegal drugs or other controlled substances or intoxication that impairs the Participant's ability to perform his or her duties with or for the Company or an Affiliate; or

e. the Participant's breach of any non-competition or non-solicitation covenants contained in any written agreement between the Participant and the Company or an Affiliate.

Unless otherwise defined in the Participant's written employment or severance or similar agreement, an act or omission is "willful" for the purpose of determining whether a termination of employment was made for "cause" if it was knowingly done, or knowingly omitted to be done, by the Participant not in good faith and without reasonable belief that the act or omission was in the best interest of the Company or an Affiliate. For purposes of this Plan, if a Participant is convicted of a crime or pleads *nolo contendere* to a criminal charge, he or she will conclusively be deemed to have committed the crime. The Committee has the discretion, in other circumstances, to determine in good faith, from all the facts and circumstances reasonably available to it, whether a Participant who is under investigation for, or has been charged with, a crime will be deemed to have committed it for purposes of this Plan.

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

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

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

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

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

Notwithstanding the foregoing, if an Award, or amount payable with respect to an Award, is "deferred compensation" for purposes of Code Section 409A, and if a payment of such

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

"Change in Control Price" means the Fair Market Value of a Share upon a Change in Control. To the extent that the consideration paid in any such Change in Control transaction consists all or in part of securities or other non-cash consideration, the value of such securities or other non-cash consideration shall be determined in good faith by the Committee.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Committee" means, as designated in accordance with Section 3.1, the People and Compensation Committee of the Board or such other committee as may be appointed by the Board to administer the Plan.

"Company" has the meaning given to such term in Section 1.1 hereof, and includes, without limitation, any successor thereto as provided in Article 18.

"Director" means any individual who is a member of the Board of Directors and who is not employed by the Company or an Affiliate thereof.

"Disability" means, with respect to any Participant, (a) long-term disability as defined under the long-term disability plan of the Company or an Affiliate that covers such Participant, or (b) if the Participant is not covered by such a long-term disability plan, disability as defined for purposes of eligibility for a disability award under the Social Security Act. Notwithstanding the foregoing, for purposes of determining the period of time after termination of employment during which a Participant may exercise an ISO, "Disability" will have the meaning set forth in Code Section 22(e)(3), which is, generally, that the Participant is unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of at least twelve (12) months.

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

"Effective Date" has the meaning given to such term in Section 1.1 hereof.

"Eligible Person" means any Employee or Director.

"Employee" means any employee of the Company or any of its Affiliates.

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

“Exercise Price” means the price at which a Share may be purchased by a Participant pursuant to an Option.

“Fair Market Value” means:

a. the closing trading price of the Shares on the New York Stock Exchange or, if the Shares are not traded on the New York Stock Exchange, on the NASDAQ Stock Market or any other exchange on which they are traded; or

b. if the Shares are not traded on any exchange, the mean between the closing bid and asked prices of the Shares in the over-the-counter market; or

c. if those bid and asked prices are not available, then the fair market value as reported by any nationally recognized quotation service selected by the Committee or as determined in good faith by the Committee.

Notwithstanding the foregoing, for purposes of Awards intended to be exempt from Code Section 409A, the Fair Market Value shall be no less than the “fair market value,” as such term is defined for purposes of Code Section 409A.

“Good Reason” has the meaning set forth in any unexpired, written employment or severance or similar agreement between a Participant and the Company or an Affiliate, solely if and to the extent that such term is defined in such an agreement. If a Participant does not have a written employment or severance or similar agreement with the Company or an Affiliate, or if such agreement does not define “Good Reason,” this term shall not apply to such Participant for purposes of the Plan.

“Incentive Stock Option” or **“ISO”** means an Option to purchase Shares granted under Article 6 that is designated as an Incentive Stock Option and that is intended to meet the requirements of Code Section 422.

“Nonqualified Stock Option” or **“NQSO”** means an Option to purchase Shares granted under Article 6 that is not intended to meet the requirements of Code Section 422.

“Option” means an Incentive Stock Option or a Nonqualified Stock Option, as described in Article 6.

“Participant” means an Eligible Person who has been selected by the Committee to participate in the Plan pursuant to Section 5.2 and who has outstanding an Award granted under the Plan.

“Performance Period” means the time period, set by the Committee in its discretion, during which performance objectives must be met in order for a Participant to earn Performance Units or Performance Shares granted under Article 9.

“Performance Share” means an Award with an initial value equal to the Fair Market Value on the date of grant which is based on the attainment of performance objectives, as described in Article 9.

“Performance Unit” means an Award with an initial value established by the Committee at the time of grant which is based on the attainment of performance objectives, as described in Article 9.

“Person” has the meaning ascribed to that term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a “group” as defined in Section 13(d) thereof.

“Plan” has the meaning given to such term in Section 1.1 hereof.

“Prior Plan” has the meaning given to such term in Section 1.1 hereof.

“Replacement Award” means an Award resulting from the exchange or substitution specified in Section 14.1 upon a Change in Control and meeting the applicable conditions specified in Section 14.1, provided that such Award is issued by a company (foreign or domestic) the majority of the equity of which is listed under and in compliance with the domestic company listing rules of the New York Stock Exchange or with a similarly liquid exchange which has comparable standards to the domestic listing standards of the New York Stock Exchange.

“Restricted Stock” means a contingent grant of Shares awarded to a Participant pursuant to Article 8.

“Restricted Stock Unit” means a Restricted Unit granted to a Participant, as described in Article 8, that is payable in Shares.

“Restricted Unit” means a notional account established pursuant to an Award granted to a Participant, as described in Article 8, that is (a) credited with amounts equal to Shares or some other unit of measurement specified in the Award Agreement, (b) subject to restrictions, including, without limitation, a Restriction Period, and (c) payable in cash or Shares.

“Restriction Period” means the period during which the transfer of shares of Restricted Stock is limited in some way (based on the passage of time, the achievement of performance objectives, or the occurrence of other events as determined by the Committee, at its discretion) or the shares of Restricted Stock, Restricted Stock Units or Restricted Units are not vested.

“Retirement” means termination of employment or service on or after (a) reaching the age established by the Company as the normal retirement age in any unexpired employment, severance or similar agreement between the Participant and the Company or an Affiliate, or, in the absence of such an agreement, the normal retirement age under the tax-qualified defined benefit retirement plan or, if none, the tax-qualified defined contribution retirement plan, sponsored by the Company or an Affiliate in which the Participant participates, (b) attaining a combination of years of age and service with the Company and its Affiliates (including, to the extent applicable and credited by the Company, service with another company prior to it becoming an Affiliate) of at least 65, with a minimum age of 55 and at least five years of service with the Company and its Affiliates (only if an Affiliate at the time of service) or (c) solely with respect to a Director, the Participant’s cessation of service as a Director as a result of being ineligible to stand for re-election after attaining a certain age.

“Shares” means the shares of common stock, $0.01 par value, of the Company, including their associated preferred share purchase rights, if applicable.

"Stock Appreciation Right" or **"SAR"** means an Award designated as an SAR pursuant to the terms of Article 7.

"Substitute Award" means an Award granted under the Plan upon the assumption of, or in substitution for, outstanding equity awards granted by a company or other entity in connection with a corporate transaction, such as a merger, combination, consolidation, or acquisition of property or stock; provided, however, that in no event shall the term "Substitute Award" be construed to refer to an Award made in connection with the cancellation and repricing of an Option or SAR.

"Vested Options and SARs" has the meaning given to such term in Section 14.1(a)(i) hereof.

Article 3. <u>Administration</u>

3.1 The Committee. The Plan will be administered by the Compensation Committee of the Board, or by any other Committee appointed by the Board, which Committee (unless otherwise determined by the Board) will satisfy the "non-employee director" requirements of Rule 16b-3 under the Exchange Act and the regulations of Rule 16b-3 under the Exchange Act, or any successor regulations or provisions, so long as the Company is subject to the registration requirements of the Exchange Act. The members of the Committee will be appointed from time to time by, and serve at the discretion of, the Board of Directors. The Committee will act by a majority of its members at the time in office and eligible to vote on any particular matter, and Committee action may be taken either by a vote at a meeting or in writing without a meeting.

3.2 Authority of the Committee. Except as limited by law and subject to the provisions of this Plan, the Committee will have full power to: select Eligible Persons to participate in the Plan; determine the sizes and types of Awards; determine the terms and conditions of Awards in a manner consistent with the Plan; construe and interpret the Plan and any agreement or instrument entered into under the Plan; establish, amend or waive rules and regulations for the Plan's administration; correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any Award in the manner and to the extent it deems necessary to carry out the intent of the Plan; and (subject to the provisions of Section 4.5 and Article 15) amend the terms and conditions of any outstanding Award to the extent they are within the discretion of the Committee as provided in the Plan. Further, the Committee will make all other determinations that may be necessary or advisable to administer the Plan. As permitted by law and consistent with Section 3.1, the Committee may delegate some or all of its authority under the Plan.

3.3 Decisions Binding. All determinations and decisions made by the Committee pursuant to the provisions of the Plan will be final, conclusive and binding on all persons, including, without limitation, the Company, its Board of Directors, its shareholders, all Affiliates, Employees, Participants and their estates and beneficiaries.

Article 4. <u>Shares Subject to the Plan and Limitations on Awards</u>

4.1 Number of Shares Available for Grants. Subject to adjustment as provided in Sections 4.2 and 4.3, the number of Shares that may be issued or transferred to Participants under the Plan shall not exceed the sum of (a) 2,491,491 Shares, equal to (i) 791,491 Shares authorized for issuance, but not yet awarded, under the Plan as of March 24, 2023 (prior to the Plan being amended and restated), plus (ii) 1,700,000 new Shares for grant; and (b) any Shares under the Prior Plan subject to awards that, after the Effective Date, are forfeited, terminated, lapsed or satisfied thereunder in cash or property other than Shares. Subject to adjustment as provided in Section 4.3, the maximum number of Shares and Share equivalent units that may be granted during any calendar year to any one Participant under Options, SARs, Restricted Stock, Restricted Units, Restricted Stock Units, Performance Shares or any other Award is 1,000,000. The maximum number of Shares that may be issued pursuant to Options intended to be ISOs is 1,000,000. The maximum aggregate dollar amount that may be paid to any one Participant during any calendar year under Performance Units or any cash incentive Award granted under Section 9.10 is $20,000,000. The Shares with respect to which Awards may be made will include authorized but unissued Shares, and Shares that are currently held or subsequently acquired by the Company as treasury Shares, including Shares purchased in the open market or in private transactions. For the avoidance of doubt, Shares underlying Awards that are subject to the achievement of performance goals shall be counted against the share reserve and the limits in this Section 4.1 based on the target value of such Awards unless and until such time as such Awards become vested and settled in Shares.

4.2 Lapsed Awards. Any Shares subject to an Award under the Plan that, after the Effective Date, are forfeited, canceled, settled or otherwise terminated without a distribution of Shares to a Participant will thereafter be deemed to be available for Awards. In applying the immediately preceding sentence, if (a) Shares otherwise issuable or issued in respect of, or as part of, any Award are withheld to cover taxes or any applicable Exercise Price, such Shares shall be treated as having been issued under the Plan and shall not be available for issuance under the Plan, and (b) any Share-settled SARs are exercised, the aggregate number of Shares subject to such SARs shall be deemed issued under the Plan and shall not be available for issuance under the Plan. In addition, Shares tendered to exercise outstanding Options or other Awards or to cover applicable taxes on Awards shall not be available for issuance under the Plan.

4.3 Adjustments in Authorized Shares.

a. If the Shares, as currently constituted, are changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation (whether because of merger, consolidation, recapitalization, reclassification, split, reverse split, combination of shares, or other similar change in the corporate structure of the Company affecting the Shares) or if the number of Shares is increased through the payment of a stock dividend, then the Committee will substitute for or add to each Share previously appropriated, later subject to, or which may become subject to, an Award, the number and kind of shares of stock or other securities into which each outstanding Share was changed for which each such Share was exchanged, or to which each such Share is entitled, as the case may be. Outstanding Awards will also be appropriately adjusted as to price and other terms, to the extent necessary to reflect the events described above.

b. Fractional Shares resulting from any adjustment in Awards pursuant to this section may be settled in cash or otherwise as the Committee determines. The Company will give notice of any adjustment to each Participant who holds an Award that has been adjusted and the adjustment (whether or not that notice is given) will be effective and binding for all Plan purposes.

4.4 Limitation on Non-Employee Director Compensation. Notwithstanding anything herein to the contrary, compensation paid to a Director, including cash fees and Awards under the Plan (based on the grant date Fair Market Value of such Awards for financial reporting purposes), shall not exceed $900,000 per fiscal year in respect of his or her service as a Director. For the avoidance of doubt, compensation shall be counted towards this limit for the Board compensation year in which it is earned (and not when it is paid or settled in the event that it is deferred).

4.5 Minimum Vesting Requirements. Except in the case of Substitute Awards granted pursuant to Section 4.6 and subject to the following sentence, Awards granted under the Plan shall be subject to a minimum vesting period of one (1) year. Notwithstanding the foregoing, (a) the Committee may provide that the vesting of an Award shall accelerate in the event of the Participant's death, Disability, or Retirement, or the occurrence of a Change in Control, and (b) the Committee may grant Awards covering five percent (5%) or fewer of the total number of Shares authorized under the Plan without respect to the above-described minimum vesting requirement. Notwithstanding the foregoing, with respect to Awards to Directors, the vesting of such Awards will be deemed to satisfy the one (1) year minimum vesting requirement to the extent that the Awards vest on the earlier of the one (1) year anniversary of the date of grant and the next annual meeting of the Company's shareholders that is at least fifty (50) weeks after the immediately preceding year's annual meeting.

4.6 Substitute Awards.

a. Substitute Awards shall not reduce the Shares authorized for grant under the Plan. In the event that a company acquired by the Company or any Affiliate or with which the Company or any Affiliate combines has shares available under a pre-existing plan approved by stockholders not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the Shares authorized for grant under the Plan; provided that Awards using such available Shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not employed by or providing services to the Company or its Affiliates immediately prior to such acquisition or combination.

b. In the event that the Company or an Affiliate consummates a transaction described in Code Section 424(a) (e.g., the acquisition of property or stock from an unrelated corporation), persons who become Employees or Directors on account of such transaction may be granted Substitute Awards in substitution for awards granted by their former employer, and any such substitute Options or SARs may be granted with an Exercise Price less than the Fair Market Value of a Share on the grant date thereof; provided, however, the grant of such substitute Option or SAR shall not constitute a “modification” as defined in Code Section 424(h)(3) and the applicable Treasury regulations.

Article 5. Eligibility and Participation

5.1 Eligibility. All Eligible Persons, including Eligible Persons who are members of the Board, are eligible to participate in this Plan.

5.2 Actual Participation. Subject to the provisions of the Plan, the Committee will, from time to time, select those Eligible Persons to whom Awards will be granted, and will determine the nature and amount of each Award.

Article 6. Stock Options

6.1 Grant of Options. Subject to the terms and provisions of the Plan, Options may be granted to Eligible Persons in the number, and upon the terms, and at any time and from time to time, as determined by the Committee.

6.2 Award Agreement. Each Option grant will be evidenced by an Award Agreement that specifies the Exercise Price, the duration of the Option, the number of Shares to which the Option pertains, the manner, time and rate of exercise or vesting of the Option, and such other provisions as the Committee determines. The Award Agreement will also specify whether the Option is intended to be an ISO or an NQSO.

6.3 Exercise Price. The Exercise Price for each Share subject to an Option will be at least one hundred percent (100%) of the Fair Market Value on the date the Option is granted.

6.4 Duration of Options. Each Option will expire at the time determined by the Committee at the time of grant, but no later than the tenth (10^{th}) anniversary of the date of its grant. Notwithstanding any contrary provision herein, if, on the date an outstanding Option would expire, the exercise of the Option, including by a “net exercise” or “cashless” exercise, would violate applicable securities laws or any insider trading policy maintained by the Company from time to time, the expiration date applicable to the Option will be extended, except to the extent such extension would violate Section 409A, to a date that is thirty (30) calendar days after the date the exercise of the Option would no longer violate applicable securities laws or any such insider trading policy.

6.5 No Dividend Equivalents. Subject to Section 4.3, the Committee may not grant payments in connection with Options that are equivalent to dividends declared and paid on the Shares underlying the Options.

6.6 Exercise of Options. Options will be exercisable at such times and be subject to such restrictions and conditions as the Committee in each instance approves, which need not be the same for each Award or for each Participant.

6.7 Payment. The holder of an Option may exercise the Option only by delivering a written notice of exercise to the Company setting forth the number of Shares as to which the Option is to be exercised, together with full payment at the Exercise Price for the Shares and any withholding tax relating to the exercise of the Option.

The Exercise Price and any related withholding taxes will be payable to the Company in full either: (a) in cash, or its equivalent, in United States dollars; (b) by tendering Shares owned by the Participant and duly endorsed for transfer to the Company, Shares issuable to the Participant upon exercise of the Option, or any combination of cash, certified or cashier's check and Shares described in this clause (b); or (c) by any other means the Committee determines to be consistent with the Plan's purposes and applicable law. Cashless exercise must meet the requirements of the Federal Reserve Board's Regulation T and any applicable securities law restrictions. For this purpose, "cashless" exercise will mean that the Participant notifies the Company it will exercise, and the Company is instructed to deliver the Share issuable on exercise to a broker, who sells the Shares and holds back the Exercise Price (and, often, the federal and state withholdings). Notwithstanding anything herein to the contrary, the Committee may, in its sole discretion, permit a Participant to satisfy such Participant's tax withholding obligation by tendering Shares having a Fair Market Value equal to the amount required to be withheld or other greater amount up to the maximum statutory rate under applicable law, as applicable to such Participant, if such other greater amount would not result in adverse financial accounting treatment, as determined by the Committee (including in connection with the effectiveness of FASB Accounting Standards Update 2016-09).

6.8 Restrictions on Share Transferability. The Committee may impose such restrictions on any Shares acquired through exercise of an Option as it deems necessary or advisable, including, without limitation, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which the Shares are then listed or traded, and under any blue sky or state securities laws applicable to the Shares.

6.9 Termination of Employment. Each Option Award Agreement will set forth the extent to which the Participant has the right to exercise the Option after his or her termination of employment with the Company and all Affiliates. These terms will be determined by the Committee in its sole discretion, need not be uniform among all Options, and may reflect, among other things, distinctions based on the reasons for termination of employment.

6.10 Nontransferability of Options. Except as otherwise provided in a Participant's Award Agreement, no Option granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution, or pursuant to a domestic relations order (as defined in Code Section 414(p)). Further, except as otherwise provided in a Participant's Award Agreement, all Options will be exercisable during the Participant's lifetime only by the Participant or his or her guardian or legal representative. The Committee may, in its discretion, require a Participant's guardian or legal representative to supply it with the evidence the Committee deems necessary to establish the authority of the guardian or legal representative to act on behalf of the Participant.

6.11 Incentive Stock Options. The grant of ISOs hereunder shall be subject to all of the requirements of Code Section 422, including the following limitations:

a. If an ISO is granted to a Participant who (together with persons whose stock ownership is attributed to the Participant pursuant to Code Section 424(d)) owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any of its subsidiaries, (i) the Exercise Price for each Share subject to the ISO shall not be less than one-hundred and ten percent (110%) of the Fair Market Value of a Share on the date of grant, and (ii) the ISO will expire upon the earlier of the time specified by the Committee in the Award Agreement and the fifth (5th) anniversary of the date of grant.

b. ISOs may be granted only to persons who are, as of the date of grant, common-law Employees of the Company or a subsidiary (as such term is defined in Code Sections 424(e) and (f)).

c. To the extent that the aggregate Fair Market Value of the Shares with respect to which ISOs are exercisable for the first time by any individual during any calendar year (under all plans of the Company) exceeds $100,000, such Options will be treated as NQSOs to the extent required by Code Section 422. For purposes of this Section 6.11(c), ISOs shall be taken into account in the order in which they were granted. The Fair Market Value of the Shares shall be determined as of the time the Option with respect to such Shares is granted.

d. No Option that is intended to be an ISO may be granted under the Plan unless the Company's shareholders approve the Plan within twelve (12) months after the Committee's adoption of the Plan.

e. In the event of a Participant's change of status from Employee to Director, an ISO held by the Participant shall cease to be treated as an ISO and shall be treated for tax purposes as an NQSO three (3) months and one (1) day following such change of status.

6.12 Automatic Exercise. Unless provided by the Committee in an Award Agreement or otherwise, or as otherwise directed by the Participant in writing to the Company, each vested and exercisable Option outstanding on the Automatic Exercise Date with an Exercise Price per Share that is less than the Fair Market Value per Share as of such date shall automatically and without further action by the Participant or the Company be exercised on the Automatic Exercise Date. In the sole discretion of the Committee, payment of the Exercise Price of any such Option shall be made pursuant to Section 6.7 and the Company or any Affiliate shall deduct or withhold an amount sufficient to satisfy all taxes associated with such exercise in accordance with Section 16.1. Unless otherwise determined by the Administrator, this Section 6.12 shall not apply to an Option if the Participant's employment or service has terminated on or before the Automatic Exercise Date. For the avoidance of doubt, no Option with an Exercise Price per Share that is equal to or greater the Fair Market Value per Share on the Automatic Exercise Date shall be exercised pursuant to this Section 6.12.

Article 7. Stock Appreciation Rights

7.1 Grant of SARs. Subject to the terms and conditions of the Plan, SARs may be granted to Participants at any time and from time to time, as determined by the Committee.

Within the limits of Article 4, the Committee will have sole discretion to determine the number of SARs granted to each Participant and, consistent with the provisions of the Plan, to determine the terms and conditions pertaining to SARs.

The grant price of a SAR will equal the Fair Market Value on the date of grant of the SAR.

7.2 Exercise of SARs. SARs may be exercised upon whatever terms and conditions the Committee, in its sole discretion, imposes.

7.3 Award Agreement. Each SAR grant will be evidenced by an Award Agreement that specifies the grant price, the term of the SAR and such other provisions as the Committee determines.

7.4 Term of SARs. The term of an SAR will be determined by the Committee, in its sole discretion, but may not exceed ten (10) years. Notwithstanding any contrary provision herein, if, on the date an outstanding SAR would expire, the exercise of the SAR would violate applicable securities laws or any insider trading policy maintained by the Company from time to time, the expiration date applicable to the SAR will be extended, except to the extent such extension would violate Section 409A, to a date that is thirty (30) calendar days after the date the exercise of the SAR would no longer violate applicable securities laws or any such insider trading policy.

7.5 Payment of SAR Amount. Upon exercise of an SAR, a Participant will be entitled to receive payment from the Company in an amount determined by multiplying:

a. the excess (or some portion of the excess as determined at the time of the grant by the Committee) if any, of the Fair Market Value on the date of exercise of the SAR over the grant price specified in the Award Agreement; by

b. the number of Shares as to which the SAR is exercised.

The payment upon SAR exercise may be made in cash, in Shares of equivalent Fair Market Value or in some combination of the two, as specified in the Award Agreement.

7.6 Termination of Employment. Each SAR Award Agreement will set forth the extent to which the Participant has the right to exercise the SAR after his or her termination of employment with the Company and all Affiliates. These terms will be determined by the Committee in its sole discretion, need not be uniform among all SARs issued under the Plan, and may reflect, among other things, distinctions based on the reasons for termination of employment.

7.7 Nontransferability of SARs. Except as otherwise provided in a Participant's Award Agreement, no SAR may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution, or pursuant to a domestic relations order (as defined in Code Section 414(p)). Further, except as otherwise provided in a Participant's Award Agreement, all SARs will be exercisable during the Participant's lifetime only by the Participant or the Participant's guardian or legal representative. The Committee may, in its discretion, require a Participant's guardian or legal representative to supply it with evidence the Committee deems necessary to establish the authority of the guardian or legal representative to act on behalf of the Participant.

7.8 No Dividend Equivalents. Subject to Section 4.3, the Committee may not grant payments in connection with SARs that are equivalent to dividends declared and paid on the Shares underlying the SARs.

7.9 Automatic Exercise. Unless provided by the Committee in an Award Agreement or otherwise, or as otherwise directed by the Participant in writing to the Company, each vested and exercisable SAR outstanding on the Automatic Exercise Date with an Exercise Price per Share that is less than the Fair Market Value per Share as of such date shall automatically and without further action by the Participant or the Company be exercised on the Automatic Exercise Date. The Company or any Affiliate shall deduct or withhold an amount sufficient to satisfy all taxes associated with such exercise in accordance with Section 16.1. Unless otherwise determined by the Administrator, this Section 7.9 shall not apply to a SAR if the Participant's employment or service has terminated on or before the Automatic Exercise Date. For the avoidance of doubt, no SAR with an Exercise Price per Share that is equal to or greater the Fair Market Value per Share on the Automatic Exercise Date shall be exercised pursuant to this Section 7.9.

Article 8. Restricted Stock, Restricted Stock Units and Restricted Units

8.1 Grant of Restricted Stock, Restricted Stock Units or Restricted Units. Subject to the terms and provisions of the Plan, the Committee may, at any time and from time to time, grant Restricted Stock, Restricted Stock Units or Restricted Units to Participants in such amounts as it determines.

8.2 Award Agreement. Each grant of Restricted Stock, Restricted Units or Restricted Stock Units will be evidenced by an Award Agreement that specifies the Restriction Periods, the number of Shares or Share equivalent units granted, and such other provisions as the Committee determines.

8.3 Nontransferability. Restricted Stock, Restricted Units and Restricted Stock Units granted herein may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution, or pursuant to a domestic relations order (as defined in Code Section 414(p)), until the end of the applicable Restriction Period as specified in the Award Agreement, or upon earlier satisfaction of any other conditions specified by the Committee in its sole discretion and set forth in the Award Agreement. All rights with respect to Restricted Stock, Restricted Units and Restricted Stock Units will be available during the Participant's lifetime only to the Participant or the Participant's guardian or legal representative. The Committee may, in its discretion, require a Participant's guardian or legal representative to supply it with evidence the Committee deems necessary to establish the authority of the guardian or legal representative to act on behalf of the Participant.

8.4 Other Restrictions. The Committee may impose such other conditions or restrictions on any Restricted Stock, Restricted Units or Restricted Stock Units as it deems advisable including, without limitation, restrictions based upon the achievement of specific performance objectives (Company-wide, business unit, individual, or any combination of them), time-based restrictions on vesting following the attainment of the performance objectives, and restrictions under applicable federal or state securities laws. The Committee may provide that restrictions established under this Section 8.4 as to any given Award will lapse all at once or in installments.

The Company will retain the certificates representing Shares of Restricted Stock in its possession until all conditions and restrictions applicable to the Shares have been satisfied.

8.5 Payment of Awards. Except as otherwise provided in this Article 8, Shares covered by each Restricted Stock grant will become freely transferable by the Participant after the last day of the applicable Restriction Period, and Share equivalent units covered by a Restricted Unit or Restricted Stock Unit will be paid out in cash or Shares to the Participant following the last day of the applicable Restriction Period, or on a later date provided in the Award Agreement.

8.6 Voting Rights. During the Restriction Period, Participants holding Shares of Restricted Stock may exercise full voting rights with respect to those Shares.

8.7 Dividends and Other Distributions. During the Restriction Period, unless otherwise determined by the Committee and set forth in an Award Agreement, Participants awarded Shares of Restricted Stock, Restricted Units or Restricted Stock Units hereunder will be credited with regular cash dividends or dividend equivalents paid on those Shares or with respect to those Share equivalent units. The Committee may apply any restrictions it deems advisable to the crediting and payment of dividends and other distributions; provided, that no dividends or dividend equivalents will be paid on unvested Awards of Restricted Stock, Restricted Units or Restricted Stock Units during the Restriction Period, but to the extent that any such Awards contain the right to receive dividends or dividend equivalents during the Restriction Period, such dividends or dividend equivalents will be accumulated and paid once (and to the extent that) the underlying Awards vest.

8.8 Termination of Employment. Each Award Agreement will set forth the extent to which the Participant has the right to retain unvested Restricted Stock, Restricted Stock Units or Restricted Units after his or her termination of employment with the Company or an Affiliate. These terms will be determined by the Committee in its sole discretion, need not be uniform among all Awards of Restricted Stock, and may reflect, among other things, distinctions based on the reasons for termination of employment.

Article 9. Performance Units, Performance Shares and Other Awards

9.1 Grant of Performance Units or Performance Shares. Subject to the terms of the Plan, Performance Units or Performance Shares may be granted to Participants in such amounts and upon such terms, and at any time and from time to time, as the Committee determines.

9.2 Value of Performance Units and Performance Shares. Each Performance Unit will have an initial value established by the Committee at the time of grant. Each Performance Share will have an initial value equal to the Fair Market Value on the date of grant. The Committee will set performance objectives and a Performance Period during which the performance objectives must be met in its discretion which, depending on the extent to which they are met, will determine the number or value (or both) of Performance Units or Performance Shares that will be paid out to the Participant.

9.3 Earning of Performance Units and Performance Shares. Subject to the terms of this Plan, after the applicable Performance Period has ended, the holder of Performance Units or Performance Shares will be entitled to receive payout on the number and value of Performance Units or Performance Shares earned by the Participant over the Performance

Period, to be determined as a function of the extent to which the corresponding performance objectives have been achieved.

9.4 Award Agreement. Each grant of Performance Units or Performance Shares will be evidenced by an Award Agreement specifying the material terms and conditions of the Award (including the form of payment of earned Performance Units or Performance Shares), and such other provisions as the Committee determines.

9.5 Dividend Equivalents. Unless otherwise determined by the Committee and set forth in an Award Agreement, dividend equivalents will be paid on Awards of Performance Shares. Dividend equivalents may be paid on Awards of Performance Units in the Committee's sole discretion. The Committee may apply any restrictions it deems advisable to the crediting and payment of dividend equivalents with respect to Performance Shares and Performance Units; provided, that no dividend equivalents will be paid on unvested Performance Shares or Performance Units, but to the extent that any such Awards contain the right to receive dividend equivalents during the Performance Period, such dividend equivalents will be accumulated and paid once (and to the extent that) the underlying Awards vest.

9.6 Form and Timing of Payment of Performance Units and Performance Shares. Except as provided in Article 12, payment of earned Performance Units and Performance Shares will be made as soon as practicable after the close of the applicable Performance Period, in a manner determined by the Committee in its sole discretion. The Committee will pay earned Performance Units and Performance Shares in the form of cash, in Shares, or in a combination of cash and Shares, as specified in the Award Agreement. Performance Shares may be paid subject to any restrictions deemed appropriate by the Committee.

9.7 Termination of Employment Due to Death or Disability. Unless determined otherwise by the Committee and set forth in the Participant's Award Agreement, if a Participant's employment is terminated by reason of death or Disability during a Performance Period, the Participant will receive a prorated payout of the Performance Units or Performance Shares, as specified by the Committee in its discretion in the Award Agreement. Payment of earned Performance Units and Performance Shares will be made at a time specified by the Committee in its sole discretion and set forth in the Participant's Award Agreement.

9.8 Termination of Employment for Other Reasons. If a Participant's employment terminates during a Performance Period for any reason other than death or Disability, the Participant will forfeit all Performance Units and Performance Shares to the Company, unless the Participant's Award Agreement provides otherwise.

9.9 Nontransferability. Except as otherwise provided in a Participant's Award Agreement, Performance Units and Performance Shares may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution, or pursuant to a domestic relations order (as defined in Code Section 414(p)). Further, except as otherwise provided in a Participant's Award Agreement, a Participant's rights under the Plan will be exercisable during the Participant's lifetime only by the Participant or Participant's guardian or legal representative. The Committee may, in its discretion, require a Participant's guardian or legal representative to supply it with evidence the Committee deems necessary to establish the authority of the guardian or legal representative to act on behalf of the Participant.

9.10 Other Awards. In addition to the Awards described in Articles 6 through 8 and Sections 9.1 through 9.9 above, and subject to the terms of the Plan, the Committee may grant other incentives payable in cash or Shares under the Plan as it determines to be in the best interests of the Company and subject to such other terms and conditions as it deems appropriate. Dividend equivalents may be paid on such other Awards in the Committee's sole discretion. The Committee may apply any restrictions it deems advisable to the crediting and payment of dividend equivalents with respect to such other Awards; provided, that no dividend equivalents will be paid on any such unvested Awards, but to the extent that any such Awards contain the right to receive dividend equivalents prior to vesting, such dividend equivalents will be accumulated and paid once (and to the extent that) the underlying Awards vest.

Article 10. Performance Measures

The Committee may establish performance goals for performance-based Awards under the Plan, which may be based on any performance measures selected by the Committee. Such performance measures may include, but are not limited to, any of the following:

a. Earnings (including, but not limited to, earnings before interest and taxes, earnings before taxes, and net earnings);

b. operating earnings or income;

c. earnings growth;

d. net sales growth;

e. net income (absolute or competitive growth rates comparative);

f. net income applicable to common stock;

g. cash flow, including operating cash flow, free cash flow, discounted cash flow return on investment, and cash flow in excess of cost of capital;

h. earnings per Share;

i. return on shareholders equity (absolute or peer-group comparative);

j. stock price (absolute or peer-group comparative);

k. absolute and/or relative return on common shareholders equity;

l. absolute and/or relative return on capital;

m. absolute and/or relative return on assets;

n. economic value added (income in excess of cost of capital);

o. customer satisfaction;

p. quality metrics;

q. expense reduction; and

r. ratio of operating expenses to operating revenues.

The Committee may specify any reasonable definition of the performance measures it uses, and the measures may be described in terms of Company-wide objectives, objectives that relate to the performance of an individual Participant, an Affiliate, or a division, region, department, function or segment within the Company or an Affiliate. Such definitions may provide for reasonable adjustments and may include or exclude items, including but not limited to: investment gains and losses; unusual or non-recurring items; gains or losses on the sale of assets; effects of changes in accounting principles or the application thereof; asset impairment charges; effects of currency fluctuations; acquisitions, divestitures, or financing activities; recapitalizations, including stock splits and dividends; expenses for restructuring or productivity initiatives; discontinued operations; changes in applicable law or the application thereof; and other non-operating items. If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company or the manner in which the Company or an Affiliate conducts its business, or other events or circumstances render performance goals to be unsuitable, the Committee may modify such performance goals in whole or in part, as the Committee deems appropriate. If a Participant is promoted, demoted or transferred to a different business unit or function during a Performance Period, the Committee may determine that the performance goals or Performance Period are no longer appropriate and may (i) adjust, change or eliminate the performance goals or the applicable Performance Period as it deems appropriate to make such goals and period comparable to the initial goals and period, or (ii) make a cash payment to the Participant in an amount determined by the Committee.

Article 11. <u>Beneficiary Designation</u>

Each Participant may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in case the Participant should die before receiving any or all of his or her Plan benefits. Each beneficiary designation will revoke all prior designations by the same Participant, must be in a form prescribed by the Committee, and must be made during the Participant’s lifetime. If the Participant’s designated beneficiary predeceases the Participant or no beneficiary has been designated, benefits remaining unpaid at the Participant’s death will be paid to (a) the beneficiary designated by the Participant for purposes of the tax-qualified defined benefit retirement plan or, if none, the tax-qualified defined contribution retirement plan of the Company or an Affiliate in which the Participant participates, (b) the Participant’s spouse, if living, or (c) the Participant’s estate or other entity described in the Participant’s Award Agreement.

Article 12. <u>Deferrals</u>

The Committee may, consistent with the requirements of Code Section 409A, permit a Participant to defer receipt of cash or Shares that would otherwise be due to him or her by virtue of an Option or SAR exercise, the lapse or waiver of restrictions on Restricted Stock, Restricted Stock Units, Restricted Units or other Awards, or the satisfaction of any requirements or objectives with respect to Performance Units, Performance Shares or other Awards. If any such deferral election is permitted, the Committee will, in its sole discretion, establish rules and procedures for such deferrals consistent with the requirements of Code Section 409A.

Article 13. Rights of Employees

13.1 Employment. Nothing in the Plan will interfere with or limit in any way the right of the Company or any Affiliate to terminate any Participant's employment at any time, or confer upon any Participant any right to continue in the employ of the Company or any Affiliate.

13.2 Participation. No Eligible Person will have the right to receive an Award under this Plan, or, having received any Award, to receive a future Award.

Article 14. Change in Control

14.1 Treatment of Awards upon a Change in Control. Upon the occurrence of a Change in Control, the following provisions of this Section 14.1 shall apply to all Awards, unless the Committee shall determine otherwise at the time of grant with respect to a particular Award and unless otherwise specifically prohibited under applicable laws, or by the rules and regulations of any governing governmental agencies or national securities exchanges:

a. Options and SARs.

i. Any outstanding Options and SARs, unless exchanged by the Company for a Replacement Award, will become immediately exercisable (and will deemed to be exercisable immediately prior to the Change in Control), and will remain exercisable throughout the remainder of their term (the "**Vested Options and SARs**"); provided, however, that, with respect to Vested Options and SARs that are not exercised upon the Change in Control, such Vested Options and SARs will be subject to the provisions of Section 14.1(d) below, as applicable. To the extent that this provision causes ISOs to exceed the dollar limitation set forth in Code Section 422(d), the excess Options shall be deemed to be NQSOs.

ii. Any Option or SAR may be exchanged by the Company upon the Change in Control for a Replacement Award that satisfies the conditions of this Section 14.1(a)(ii). The Replacement Award shall have equivalent value and vest and become exercisable in accordance with the vesting schedule and term for exercisability, in each case that applied to the corresponding Option or SAR for which it is being exchanged, provided, however, that if within twenty-four (24) months of such Change in Control, the Participant's employment with the Company is terminated by the Company without Cause or by the Participant for Good Reason, such Award, to the extent then outstanding, shall become fully vested and exercisable upon such termination of employment.

b. Restricted Stock, Restricted Stock Units and Restricted Units.

i. Any Restriction Periods or other restrictions imposed on Restricted Stock, Restricted Stock Units and Restricted Units that are not exchanged by the Company for a Replacement Award will lapse, except that the degree of vesting associated with those Awards that is conditioned on the achievement of performance conditions will be determined as set forth in Section 14.1(c).

ii. Any Restricted Stock, Restricted Stock Unit, or Restricted Unit may be exchanged by the Company upon the Change in Control for a Replacement Award that satisfies the conditions of this Section 14.1(b)(ii). The Replacement Award shall have equivalent value to the Award for which it is being exchanged and shall vest in accordance with the vesting schedule that applied to the corresponding Award for which it is being exchanged, provided, however, that if within twenty-four (24) months of such Change in Control, the Participant's employment with the Company is terminated by the Company without Cause or by the Participant for Good Reason, such Award, to the extent then outstanding, shall become free of all contingencies, restrictions and limitations and become vested and transferable (or paid) upon such termination of employment.

c. Performance Shares and Performance Units.

i. Except as otherwise provided in the Award Agreement, the vesting of all Performance Units and Performance Shares that are not exchanged by the Company for a Replacement Award will be accelerated as of the effective date of the Change in Control, and Participants will be paid, within thirty (30) days after the effective date of the Change in Control, an amount in cash based on an assumed achievement of all relevant performance objectives at target levels.

ii. Any Performance Share or Performance Unit may be exchanged by the Company upon a Change in Control for a Replacement Award that satisfies the conditions of this Section 14.1(c)(ii). The Replacement Award shall not be subject to any performance condition referred to in Article 10 above or otherwise, but instead shall be subject solely to the restrictions, if any, of the Award for which it is being exchanged that are based on the passage of time through the expiration date of the Performance Period utilized in the Award for which it is being exchanged. The number or value of such Replacement Award shall be determined based on the assumed achievement of all of the relevant performance objectives of the Award for which it is being exchanged at their target levels. Notwithstanding the foregoing in this Section 14.1(c)(ii), if within twenty-four (24) months of such Change in Control, the Participant's employment with the Company is terminated by the Company without Cause or by the Participant for Good Reason, such Replacement Award, to the extent then outstanding, shall become free of all contingencies, restrictions and limitations and become vested and transferable (or paid) upon such termination of employment.

d.

i. If the Company is a party to an agreement that is reasonably likely to result in a Change in Control, such agreement may provide for settlement of the Vested Options and SARs for the Change in Control Price (less, to the extent applicable, the per Share Exercise Price or grant price), or, if the per Share Exercise Price or grant price equals or exceeds the Change in Control Price, such Vested Options and SARs shall terminate and be canceled.

ii. To the extent that Restricted Stock, Restricted Units and Restricted Stock Units settle in Shares in accordance with their terms upon a Change in Control, such Shares shall be entitled to receive as a result of the Change in Control transaction the same consideration as the Shares held by shareholders of the Company as a result of the Change in Control transaction.

14.2 Termination, Amendment and Modifications of Change in Control Provisions. Notwithstanding any other provision of this Plan or any provision in an Award Agreement, this Article 14 may not be terminated, amended or modified on or after the effective date of a Change in Control in a way that would adversely affect any Award in any material way theretofore granted to a Participant, unless the Participant gives his or her prior written consent to the termination, amendment or modification.

Article 15. Amendment, Modification and Termination

15.1 Amendment, Modification and Termination. Subject to Section 14.2, the Committee or Board may at any time and from time to time, alter, amend, modify or terminate the Plan in whole or in part. The Committee or Board will not, however, increase the number of Shares that may be issued or transferred to Participants under the Plan, as described in the first sentence of Section 4.1 (and subject to adjustment as provided in Sections 4.2 and 4.3).

Subject to the terms and conditions of the Plan, the Committee may modify, extend or renew outstanding Awards under the Plan, or accept the surrender of outstanding Awards (to the extent not already exercised) and grant new Awards in substitution of them (to the extent not already exercised). Except as provided in Sections 4.3 and 15.2, the Committee will not, however, modify any outstanding Option or SAR so as to specify a lower Exercise Price or grant price (and will not cancel an Option or SAR and substitute for it an Option or SAR with a lower Exercise Price or grant price), without the approval of the Company's shareholders. In addition, except as provided in Sections 4.3 and 15.2, the Committee may not cancel an outstanding Option or SAR whose Exercise Price or grant price is equal to or greater than the current Fair Market Value of a Share and substitute for it another Award or cash payment without the prior approval of the Company's shareholders. Notwithstanding the foregoing, no alteration, modification or termination of an Award will, without the prior written consent of the Participant, adversely alter or impair any rights or obligations under any Award already granted under the Plan.

15.2 Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. The Committee may, using reasonable care, make adjustments in the terms and conditions of, and the criteria included in, Awards in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan (a) in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4.3) affecting the Company or its financial statements, (b) in recognition of changes in applicable laws, regulations, or accounting principles, or (c) whenever the Committee determines that such adjustments are necessary, equitable and/or appropriate.

15.3 Awards Previously Granted. No termination, amendment or modification of the Plan will adversely affect in any material way any Award already granted, without the written consent of the Participant who holds the Award.

15.4 Compliance with Code Section 409A. The Plan and Awards, and all amounts payable with respect to Awards, are intended to comply with, or be exempt from, Code Section 409A and the interpretative guidance thereunder and shall be construed, interpreted and administered accordingly. If an unintentional operational failure occurs with respect to Code

Section 409A, any affected Participant or beneficiary shall fully cooperate with the Company to correct the failure to the extent possible in accordance with any correction procedure established by the U.S. Department of the Treasury. If a Participant is a “specified employee” (as such term is defined for purposes of Code Section 409A) at the time of his or her termination of employment, no amount that is subject to Code Section 409A and that becomes payable by reason of such termination of employment shall be paid to the Participant before the earlier of (a) the expiration of the six (6) month period measured from the date of the Participant’s termination of employment, and (b) the date of the Participant’s death. A termination of employment shall be deemed to occur only if it is a “separation from service” within the meaning of Code Section 409A, and references in the Plan and any Award Agreement to “termination,” “termination of employment,” or like terms shall mean a “separation from service.” A separation from service shall be deemed to occur if it is anticipated that the level of services the Participant will perform after a certain date (whether as an employee or as an independent contractor) will permanently decrease to no more than twenty percent (20%) of the average level of services provided by the Participant in the immediately preceding thirty-six (36) months.

Article 16. **<u>Withholding</u>**

16.1 Tax Withholding. The Company will have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising under this Plan. No Award Agreement will permit reload Options to be granted in connection with any Shares used to pay a tax withholding obligation.

16.2 Share Withholding. With respect to withholding required upon the exercise of Options or SARs, upon the lapse of restrictions on Restricted Stock, or upon any other taxable event arising as a result of Awards granted hereunder, the Company may satisfy the withholding requirement for supplemental wages, in whole or in part, by withholding Shares having a Fair Market Value (determined on the date the Participant recognizes taxable income on the Award) equal to the amount required to be withheld or other greater amount up to the maximum statutory rate required to be collected on the transaction under applicable law, as applicable to the Participant, if such other greater amount would not result in adverse financial accounting treatment, as determined by the Committee (including in connection with the effectiveness of FASB Accounting Standards Update 2016-09). The Participant may elect, subject to the approval of the Committee, to deliver the necessary funds to satisfy the withholding obligation to the Company, in which case there will be no reduction in the Shares otherwise distributable to the Participant.

Article 17. **<u>Indemnification</u>**

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

Article 18. Successors

All obligations of the Company under the Plan or any Award Agreement will be binding on any successor to the Company, whether the existence of the successor results from a direct or indirect purchase of all or substantially all of the business or assets of the Company or both, or a merger, consolidation, or otherwise.

Article 19. Legal Construction

19.1 Number. Except where otherwise indicated by the context, any plural term used in this Plan includes the singular and a singular term includes the plural.

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

19.3 Requirements of Law. The granting of Awards and the issuance of Share or cash payouts under the Plan will be subject to all applicable laws, rules, and regulations, and to any approvals by governmental agencies or national securities exchanges as may be required.

19.4 Securities Law Compliance. As to any individual who is, on the relevant date, an officer, director or ten percent (10%) beneficial owner of any class of the Company's equity securities that is registered pursuant to Section 12 of the Exchange Act, all as defined under Section 16 of the Exchange Act, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 under the Exchange Act, or any successor rule. To the extent any provision of the Plan or action by the Committee fails to so comply, it will be deemed null and void, to the extent permitted by law and deemed advisable by the Committee.

19.5 Awards to Foreign Nationals and Employees Outside the United States. To the extent the Committee deems it necessary, appropriate or desirable to comply with foreign law or practice and to further the purposes of this Plan, the Committee may, without amending the Plan, (i) establish a sub-plan hereunder and/or rules applicable to Awards granted to Participants who are foreign nationals, are employed outside the United States, or both, including rules that differ from those set forth in this Plan, and (ii) grant Awards to such Participants in accordance with those rules.

19.6 Unfunded Status of the Plan. The Plan is intended to constitute an “unfunded” plan for incentive and deferred compensation. With respect to any payments or deliveries of Shares not yet made to a Participant by the Company, the Participant’s rights are no greater than those of a general creditor of the Company. The Committee may authorize the establishment of trusts or other arrangements to meet the obligations created under the Plan, so long as the arrangement does not cause the Plan to lose its legal status as an unfunded plan.

19.7 Governing Law. To the extent not preempted by federal law, the Plan and all agreements hereunder will be construed in accordance with and governed by the laws of the State of Michigan without giving effect to principles of conflicts of law.

19.8 Offsets. To the extent permitted by applicable law, the Company shall have the right to offset from any Award payable hereunder any amount that a Participant owes to the Company or any Affiliate without the consent of the Participant (or his or her beneficiary, in the event of the Participant’s death).

19.9 Plan Document Controls. The Plan and each Award Agreement constitute the entire agreement with respect to the subject matter hereof and thereof; provided, that in the event of any inconsistency between the Plan and an Award Agreement, the terms and conditions of the Plan shall control.

Article 20. Incentive Compensation Recoupment Policy

Notwithstanding any provision in the Plan or in any Award Agreement to the contrary, all Awards are subject to the Incentive Compensation Recoupment Policy established by the Company, as amended from time to time, and any other compensation recovery and/or recoupment policy adopted by the Company to comply with applicable law or any listing exchange requirement, including, without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or to comport with good corporate governance practices, as such policies may be amended from time to time.

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: August 1, 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: August 1, 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 July 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: August 1, 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 July 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:	August 1, 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.