UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 28, 2019.

☐ **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	**(248) 447-1500**
(Address of principal executive offices)	**(Registrant’s telephone number, including area code)**

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x No ☐

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

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

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

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

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

As of October 22, 2019, the number of shares outstanding of the registrant’s common stock was 60,469,982 shares.

Table of Contents

LEAR CORPORATION

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 28, 2019

INDEX

LEAR CORPORATION AND SUBSIDIARIES

PART I — FINANCIAL INFORMATION

ITEM 1 — CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

We have prepared the unaudited condensed consolidated financial statements of Lear Corporation and subsidiaries pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") have been condensed or omitted pursuant to such rules and regulations. We believe that the disclosures are adequate to make the information presented not misleading when read in conjunction with the financial statements and the notes thereto included in our Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, for the year ended December 31, 2018.

The financial information presented reflects all adjustments (consisting of normal recurring adjustments) which are, in our opinion, necessary for a fair presentation of the results of operations, cash flows and financial position for the interim periods presented. These results are not necessarily indicative of a full year's results of operations.

LEAR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except share data)

	September 28, 2019 [1]	December 31, 2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,300.9	$ 1,493.2
Accounts receivable	3,320.7	2,880.3
Inventories	1,294.1	1,196.8
Other	702.3	710.2
Total current assets	6,618.0	6,280.5
LONG-TERM ASSETS:		
Property, plant and equipment, net	2,599.7	2,598.1
Goodwill	1,600.4	1,405.3
Other	1,935.2	1,316.8
Total long-term assets	6,135.3	5,320.2
Total assets	$ 12,753.3	$ 11,600.7
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings	$ 18.7	$ 9.9
Accounts payable and drafts	2,986.8	2,862.8
Accrued liabilities	1,885.2	1,615.0
Current portion of long-term debt	17.1	12.9
Total current liabilities	4,907.8	4,500.6
LONG-TERM LIABILITIES:		
Long-term debt	2,297.6	1,941.0
Other	1,026.3	640.4
Total long-term liabilities	3,323.9	2,581.4
Redeemable noncontrolling interest	146.5	158.1
EQUITY:		
Preferred stock, 100,000,000 shares authorized (including 10,896,250 Series A convertible preferred stock authorized); no shares outstanding	—	—
Common stock, $0.01 par value, 300,000,000 shares authorized; 64,563,291 shares issued as of September 28, 2019 and December 31, 2018	0.6	0.6
Additional paid-in capital	963.1	1,017.4
Common stock held in treasury, 3,919,021 and 1,623,678 shares as of September 28, 2019 and December 31, 2018, respectively, at cost	(539.0)	(225.1)
Retained earnings	4,608.4	4,113.6
Accumulated other comprehensive loss	(829.3)	(705.8)
Lear Corporation stockholders’ equity	4,203.8	4,200.7
Noncontrolling interests	171.3	159.9
Equity	4,375.1	4,360.6
Total liabilities and equity	$ 12,753.3	$ 11,600.7

(1) Unaudited.

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

LEAR CORPORATION AND SUBSIDIARIES

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

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Net sales	$ 4,825.0	$ 4,891.6	$ 14,992.7	$ 16,206.1
Cost of sales	4,365.7	4,365.3	13,582.0	14,410.3
Selling, general and administrative expenses	141.9	150.3	447.3	462.5
Amortization of intangible assets	16.7	12.7	45.3	38.9
Interest expense	24.0	21.2	69.4	62.8
Other expense, net	9.7	13.2	27.9	11.3
Consolidated income before provision for income taxes and equity in net income of affiliates	267.0	328.9	820.8	1,220.3
Provision for income taxes	33.5	57.6	149.9	233.0
Equity in net income of affiliates	(5.1)	(3.4)	(15.8)	(16.6)
Consolidated net income	238.6	274.7	686.7	1,003.9
Less: Net income attributable to noncontrolling interests	22.7	22.2	59.1	66.3
Net income attributable to Lear	**$ 215.9**	**$ 252.5**	**$ 627.6**	**$ 937.6**
Basic net income per share available to Lear common stockholders (Note 15)	**$ 3.59**	**$ 3.83**	**$ 10.27**	**$ 13.90**
Diluted net income per share available to Lear common stockholders (Note 15)	**$ 3.58**	**$ 3.80**	**$ 10.23**	**$ 13.80**
Cash dividends declared per share	**$ 0.75**	**$ 0.70**	**$ 2.25**	**$ 2.10**
Average common shares outstanding	**61,133,723**	**65,372,829**	**62,042,156**	**66,256,800**
Average diluted shares outstanding	**61,330,086**	**65,868,660**	**62,262,903**	**66,709,928**
Consolidated comprehensive income (Condensed Consolidated Statements of Equity)	$ 96.1	$ 236.1	$ 552.7	$ 845.5
Less: Comprehensive income attributable to noncontrolling interests	11.3	11.8	48.6	50.4
Comprehensive income attributable to Lear	$ 84.8	$ 224.3	$ 504.1	$ 795.1

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 September 28, 2019					
	Common Stock	Additional Paid-In Capital	Common Stock Held in Treasury	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Lear Corporation Stockholders' Equity
Balance at June 29, 2019	$ 0.6	$ 965.3	$ (466.6)	$ 4,435.3	$ (698.2)	$ 4,236.4
Comprehensive income (loss):						
Net income	—	—	—	215.9	—	215.9
Other comprehensive loss	—	—	—	—	(131.1)	(131.1)
Total comprehensive income (loss)	—	—	—	215.9	(131.1)	84.8
Stock-based compensation	—	1.7	—	—	—	1.7
Net issuance of 23,786 shares held in treasury in settlement of stock-based compensation	—	(3.9)	3.5	(0.7)	—	(1.1)
Repurchase of 616,635 shares of common stock at average price of $123.06 per share	—	—	(75.9)	—	—	(75.9)
Dividends declared to Lear Corporation stockholders	—	—	—	(45.7)	—	(45.7)
Dividends declared to non-controlling interest holders	—	—	—	—	—	—
Changes in noncontrolling interests	—	—	—	—	—	—
Redeemable non-controlling interest adjustment	—	—	—	3.6	—	3.6
Balance at September 28, 2019	$ 0.6	$ 963.1	$ (539.0)	$ 4,608.4	$ (829.3)	$ 4,203.8

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

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

LEAR CORPORATION AND SUBSIDIARIES

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

	Three Months Ended September 28, 2019			
	Lear Corporation Stockholders' Equity	Non-controlling Interests	Equity	Redeemable Non-controlling Interests
Balance at June 29, 2019	$ 4,236.4	$ 163.1	$ 4,399.5	$ 155.0
Comprehensive income (loss):				
Net income	215.9	22.0	237.9	0.7
Other comprehensive loss	(131.1)	(5.8)	(136.9)	(5.6)
Total comprehensive income (loss)	84.8	16.2	101.0	(4.9)
Stock-based compensation	1.7	—	1.7	—
Net issuance of 23,786 shares held in treasury in settlement of stock-based compensation	(1.1)	—	(1.1)	—
Repurchase of 616,635 shares of common stock at average price of $123.06 per share	(75.9)	—	(75.9)	—
Dividends declared to Lear Corporation stockholders	(45.7)	—	(45.7)	—
Dividends declared to non-controlling interest holders	—	(2.4)	(2.4)	—
Changes in noncontrolling interests	—	(5.6)	(5.6)	—
Redeemable non-controlling interest adjustment	3.6	—	3.6	(3.6)
Balance at September 28, 2019	$ 4,203.8	$ 171.3	$ 4,375.1	$ 146.5

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

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

LEAR CORPORATION AND SUBSIDIARIES

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

	Three Months Ended September 29, 2018					
	Common Stock	Additional Paid-In Capital	Common Stock Held in Treasury	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Lear Corporation Stockholders' Equity
Balance at June 30, 2018	$ 0.7	$ 1,166.8	$ (989.9)	$ 4,750.0	$ (627.7)	$ 4,299.9
Comprehensive income (loss):						
Net income	—	—	—	252.5	—	252.5
Other comprehensive loss	—	—	—	—	(28.2)	(28.2)
Total comprehensive income (loss)	—	—	—	252.5	(28.2)	224.3
Stock-based compensation	—	13.6	—	—	—	13.6
Net issuance of 23,416 shares held in treasury in settlement of stock-based compensation	—	(4.4)	3.2	—	—	(1.2)
Repurchase of 1,149,839 shares of common stock at average price of $169.60 per share	—	—	(195.0)	—	—	(195.0)
Dividends declared to Lear Corporation stockholders	—	—	—	(46.4)	—	(46.4)
Dividends declared to non-controlling interest holders	—	—	—	—	—	—
Redeemable non-controlling interest adjustment	—	—	—	(2.3)	—	(2.3)
Balance at September 29, 2018	$ 0.7	$ 1,176.0	$ (1,181.7)	$ 4,953.8	$ (655.9)	$ 4,292.9

	Nine Months Ended September 29, 2018					
	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, 2018	$ 0.7	$ 1,215.4	$ (724.1)	$ 4,171.9	$ (513.4)	$ 4,150.5
Comprehensive income (loss):						
Net income	—	—	—	937.6	—	937.6
Other comprehensive loss	—	—	—	—	(142.5)	(142.5)
Total comprehensive income (loss)	—	—	—	937.6	(142.5)	795.1
Stock-based compensation	—	40.7	—	—	—	40.7
Net issuance of 368,332 shares held in treasury in settlement of stock-based compensation	—	(80.1)	33.1	—	—	(47.0)
Repurchase of 2,697,188 shares of common stock at average price of $181.93 per share	—	—	(490.7)	—	—	(490.7)
Dividends declared to Lear Corporation stockholders	—	—	—	(141.1)	—	(141.1)
Dividends declared to non-controlling interest holders	—	—	—	—	—	—
Adoption of ASU 2016-16	—	—	—	2.3	—	2.3
Affiliate transaction	—	—	—	—	—	—
Acquisition of outstanding non-controlling interest	—	—	—	—	—	—
Redeemable non-controlling interest adjustment	—	—	—	(16.9)	—	(16.9)
Balance at September 29, 2018	$ 0.7	$ 1,176.0	$ (1,181.7)	$ 4,953.8	$ (655.9)	$ 4,292.9

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

LEAR CORPORATION AND SUBSIDIARIES

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

	Three Months Ended September 29, 2018			
	Lear Corporation Stockholders' Equity	Non-controlling Interests	Equity	Redeemable Non-controlling Interests
Balance at June 30, 2018	$ 4,299.9	$ 127.5	$ 4,427.4	$ 167.5
Comprehensive income (loss):				
Net income	252.5	19.7	272.2	2.5
Other comprehensive loss	(28.2)	(4.3)	(32.5)	(6.1)
Total comprehensive income (loss)	224.3	15.4	239.7	(3.6)
Stock-based compensation	13.6	—	13.6	—
Net issuance of 23,416 shares held in treasury in settlement of stock-based compensation	(1.2)	—	(1.2)	—
Repurchase of 1,149,839 shares of common stock at average price of $169.60 per share	(195.0)	—	(195.0)	—
Dividends declared to Lear Corporation stockholders	(46.4)	—	(46.4)	—
Dividends declared to non-controlling interest holders	—	(0.1)	(0.1)	(4.6)
Redeemable non-controlling interest adjustment	(2.3)	—	(2.3)	2.3
Balance at September 29, 2018	$ 4,292.9	$ 142.8	$ 4,435.7	$ 161.6

	Nine Months Ended September 29, 2018			
	Lear Corporation Stockholders' Equity	Non-controlling Interests	Equity	Redeemable Non-controlling Interests
Balance at January 1, 2018	$ 4,150.5	$ 142.1	$ 4,292.6	$ 153.4
Comprehensive income (loss):				
Net income	937.6	56.5	994.1	9.8
Other comprehensive loss	(142.5)	(6.7)	(149.2)	(9.2)
Total comprehensive income (loss)	795.1	49.8	844.9	0.6
Stock-based compensation	40.7	—	40.7	—
Net issuance of 368,332 shares held in treasury in settlement of stock-based compensation	(47.0)	—	(47.0)	—
Repurchase of 2,697,188 shares of common stock at average price of $181.93 per share	(490.7)	—	(490.7)	—
Dividends declared to Lear Corporation stockholders	(141.1)	—	(141.1)	—
Dividends declared to non-controlling interest holders	—	(59.7)	(59.7)	(9.3)
Adoption of ASU 2016-16	2.3	—	2.3	—
Affiliate transaction	—	14.0	14.0	—
Acquisition of outstanding non-controlling interest	—	(3.4)	(3.4)	—
Redeemable non-controlling interest adjustment	(16.9)	—	(16.9)	16.9
Balance at September 29, 2018	$ 4,292.9	$ 142.8	$ 4,435.7	$ 161.6

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

LEAR CORPORATION AND SUBSIDIARIES

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

	Nine Months Ended	
	September 28, 2019	September 29, 2018
Cash Flows from Operating Activities:		
Consolidated net income	$ 686.7	$ 1,003.9
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	380.4	361.8
Net change in recoverable customer engineering, development and tooling	(73.4)	(8.5)
Loss on extinguishment of debt	10.6	—
Net change in working capital items (see below)	(162.0)	(328.8)
Other, net	(43.0)	(6.8)
Net cash provided by operating activities	799.3	1,021.6
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(410.1)	(492.7)
Acquisition, net of acquired cash	(321.7)	—
Other, net	(7.5)	(18.5)
Net cash used in investing activities	(739.3)	(511.2)
Cash Flows from Financing Activities:		
Credit agreement repayments	(3.1)	(4.7)
Short-term borrowings, net	9.5	5.6
Proceeds from the issuance of senior notes	693.3	—
Repurchase of senior notes	(333.7)	—
Payment of debt issuance and other financing costs	(6.5)	—
Repurchase of common stock	(359.7)	(488.1)
Dividends paid to Lear Corporation stockholders	(141.1)	(142.1)
Dividends paid to noncontrolling interests	(33.6)	(64.3)
Other, net	(61.6)	(59.6)
Net cash used in financing activities	(236.5)	(753.2)
Effect of foreign currency translation	(20.0)	(32.7)
Net Change in Cash, Cash Equivalents and Restricted Cash	(196.5)	(275.5)
Cash, Cash Equivalents and Restricted Cash as of Beginning of Period	1,519.8	1,500.4
Cash, Cash Equivalents and Restricted Cash as of End of Period	$ 1,323.3	$ 1,224.9
Changes in Working Capital Items:		
Accounts receivable	$ (513.5)	$ (173.1)
Inventories	(123.5)	(117.5)
Accounts payable	208.8	(33.2)
Accrued liabilities and other	266.2	(5.0)
Net change in working capital items	$ (162.0)	$ (328.8)
Supplementary Disclosure:		
Cash paid for interest	$ 85.2	$ 93.7
Cash paid for income taxes, net of refunds received	$ 133.7	$ 225.1

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

LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

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

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

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

Certain amounts in the prior period’s financial statements have been reclassified to conform to the presentation used in the quarter ended September 28, 2019.

(2) Acquisition

On April 17, 2019, the Company completed the acquisition of Xevo Inc. (“Xevo”), a Seattle-based, global leader in connected car software, by acquiring all of Xevo's outstanding shares for $321.7 million, net of cash acquired. Xevo is a supplier of software solutions for the cloud, cars and mobile devices that are deployed in millions of vehicles worldwide with annual sales of approximately $75 million in 2018.

The acquisition of Xevo has been accounted for as a business combination, and accordingly, the assets acquired and liabilities assumed are included in the accompanying condensed consolidated balance sheet as of September 28, 2019. The operating results and cash flows of Xevo are included in the accompanying condensed consolidated financial statements from the date of acquisition and in the Company's E-Systems segment.

The Company incurred transaction costs of $1.7 million in the nine months ended September 28, 2019, which have been expensed as incurred and are recorded in selling, general and administrative expenses.

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

	June 29, 2019	Adjustments	September 28, 2019
Net purchase price	$ 320.9	$ 0.8	$ 321.7
Other assets purchased and liabilities assumed, net	$ 1.2	$ 7.7	$ 8.9
Goodwill	197.5	22.1	219.6
Intangible assets	122.2	(29.0)	93.2
Preliminary purchase price allocation	$ 320.9	$ 0.8	$ 321.7

Goodwill recognized in this transaction is primarily attributable to expected synergies related to future growth and commercialization opportunities and is not deductible for tax purposes.

Intangible assets consist primarily of provisional amounts recognized for the fair value of licensing agreements and developed technology and are based on independent appraisals. Licensing agreements represent the fair values of the underlying licensing agreements with Xevo customers with estimated useful lives of approximately five years. Developed technology represents the fair value of Xevo's technology with an estimated useful life of approximately five years. Adjustments to the preliminary purchase price allocation in the third quarter of 2019 reflect changes in certain assumptions related to the valuation of developed technology.

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

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."

(3) Restructuring

Restructuring costs include employee termination benefits, fixed asset impairment charges and contract termination costs, as well as other incremental costs resulting from the restructuring actions. These incremental costs principally include equipment and personnel relocation costs. In addition to restructuring costs, the Company incurs incremental manufacturing inefficiency costs at the operating locations impacted by the restructuring actions during the related restructuring implementation period. Restructuring costs are recognized in the Company's condensed consolidated financial statements in accordance with GAAP. Generally, charges are recorded as restructuring actions are approved and/or implemented.

In the first nine months of 2019, the Company recorded charges of $122.9 million in connection with its restructuring actions. These charges consist of $108.8 million recorded as cost of sales, $10.1 million recorded as selling, general and administrative expenses and $4.0 million recorded as other expense, net. The restructuring charges consist of employee termination costs of $105.0 million, fixed asset impairment charges of $4.0 million and contract termination costs of $2.4 million, as well as other related costs of $11.5 million. Employee termination benefits were recorded based on existing union and employee contracts, statutory requirements, completed negotiations and Company policy. Fixed asset impairment charges relate to the disposal of buildings, leasehold improvements and/or machinery and equipment with carrying values of $4.0 million in excess of related estimated fair values.

The Company expects to incur approximately $67 million of additional restructuring costs related to activities initiated as of September 28, 2019, and expects that the components of such costs will be consistent with its historical experience. Any future restructuring actions will depend upon market conditions, customer actions and other factors.

A summary of 2019 activity is shown below (in millions):

	Accrual as of January 1, 2019	2019 Charges	Utilization		Accrual as of September 28, 2019
			Cash	Non-cash	
Employee termination benefits	$ 103.3	$ 105.0	$ (91.3)	$ —	$ 117.0
Asset impairment charges	—	4.0	—	(4.0)	—
Contract termination costs	5.4	2.4	(3.2)	—	4.6
Other related costs	—	11.5	(11.5)	—	—
Total	$ 108.7	$ 122.9	$ (106.0)	$ (4.0)	$ 121.6

(4) Inventories

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

	September 28, 2019	December 31, 2018
Raw materials	$ 946.9	$ 859.4
Work-in-process	110.5	104.6
Finished goods	363.3	346.0
Reserves	(126.6)	(113.2)
Inventories	$ 1,294.1	$ 1,196.8

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

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

During the first nine months of 2019 and 2018, the Company capitalized $174.8 million and $167.6 million, respectively, of pre-production E&D costs for which reimbursement is contractually guaranteed by the customer. During the first nine months of 2019 and 2018, the Company also capitalized $126.7 million and $121.1 million, respectively, of pre-production tooling costs related to customer-owned tools for which reimbursement is contractually guaranteed by the customer or for which the Company has a non-cancelable right to use the tooling. These amounts are included in other current and long-term assets in the accompanying condensed consolidated balance sheets.

During the first nine months of 2019 and 2018, the Company collected $243.5 million and $277.4 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 is shown below (in millions):

	September 28, 2019	December 31, 2018
Current	$ 207.4	$ 160.9
Long-term	98.5	80.4
Recoverable customer E&D and tooling	$ 305.9	$ 241.3

(6) Long-Term Assets

Property, plant and equipment is stated at cost. Costs associated with the repair and maintenance of the Company's property, plant and equipment are expensed as incurred. Costs associated with improvements which extend the life, increase the capacity or improve the efficiency or safety of the Company's property, plant and equipment are capitalized and depreciated over the remaining useful life of the related asset. Depreciable property is depreciated over the estimated useful lives of the assets, using principally the straight-line method.

A summary of property, plant and equipment is shown below (in millions):

	September 28, 2019	December 31, 2018
Land	$ 113.3	$ 116.8
Buildings and improvements	811.8	809.3
Machinery and equipment	3,698.0	3,463.3
Construction in progress	367.8	389.3
Total property, plant and equipment	4,990.9	4,778.7
Less – accumulated depreciation	(2,391.2)	(2,180.6)
Property, plant and equipment, net	$ 2,599.7	$ 2,598.1

Depreciation expense was $111.8 million and $107.1 million in the three months ended September 28, 2019 and September 29, 2018, respectively, and $335.1 million and $322.9 million in the nine months ended September 28, 2019 and September 29, 2018, 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. Except as discussed below, the Company does not believe that there were any indicators that would have resulted in long-lived asset impairment charges as of September 28, 2019. The Company will, however, continue to assess the impact of any significant industry events on the realization of its long-lived assets.

In the first nine months of 2019 and 2018, the Company recognized fixed asset impairment charges of $4.0 million and $2.8 million, respectively, in conjunction with its restructuring actions (Note 3, "Restructuring"), as well as additional fixed asset impairment charges of $1.0 million in the first nine months of 2018.

(7) Investment in Affiliates

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

(8) Goodwill

A summary of the changes in the carrying amount of goodwill, by operating segment, in the nine months ended September 28, 2019, is shown below (in millions):

	Seating	E-Systems	Total
Balance at January 1, 2019	$ 1,244.3	$ 161.0	$ 1,405.3
Acquisition	—	219.6	219.6
Foreign currency translation and other	(20.9)	(3.6)	(24.5)
Balance at September 28, 2019	$ 1,223.4	$ 377.0	$ 1,600.4

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 Company conducts its annual impairment testing as of the first day of its fourth quarter.

There was no impairment of goodwill in the first nine months of 2019 and 2018. The Company will, however, continue to assess the impact of significant events or circumstances on its recorded goodwill.

(9) Debt

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

	September 28, 2019				
Debt Instrument	Long-Term Debt	Unamortized Debt Issuance Costs	Unamortized Original Issue Discount	Long-Term Debt, Net	Weighted Average Interest Rate
Credit Agreement — Term Loan Facility	$ 239.0	$ (1.1)	$ —	$ 237.9	3.20%
5.25% Senior Notes due 2025 (the "2025 Notes")	650.0	(4.4)	—	645.6	5.25%
3.8% Senior Notes due 2027 (the "2027 Notes")	750.0	(4.8)	(4.2)	741.0	3.885%
4.25% Senior Notes due 2029 (the "2029 Notes")	375.0	(3.0)	(1.1)	370.9	4.288%
5.25% Senior Notes due 2049 (the "2049 Notes")	325.0	(3.4)	(5.4)	316.2	5.363%
Other	3.1	—	—	3.1	N/A
	$ 2,342.1	$ (16.7)	$ (10.7)	2,314.7	
Less — Current portion				(17.1)	
Long-term debt				$ 2,297.6	

	December 31, 2018				
Debt Instrument	**Long-Term Debt**	**Unamortized Debt Issuance Costs**	**Unamortized Original Issue Discount**	**Long-Term Debt, Net**	**Weighted Average Interest Rate**
Credit Agreement — Term Loan Facility	$ 242.2	$ (1.5)	$ —	$ 240.7	3.92%
5.375% Senior Notes due 2024 (the "2024 Notes")	325.0	(2.0)	—	323.0	5.375%
2025 Notes	650.0	(5.0)	—	645.0	5.25%
2027 Notes	750.0	(5.3)	(4.6)	740.1	3.885%
Other	5.1	—	—	5.1	N/A
	$ 1,972.3	$ (13.8)	$ (4.6)	1,953.9	
Less — Current portion				(12.9)	
Long-term debt				$ 1,941.0	

Senior Notes

The issuance date, maturity date and interest payment dates of the Company's senior unsecured 2025 Notes, 2027 Notes, 2029 Notes and 2049 Notes (together, the "Notes") are as shown below:

Note	Issuance Date	Maturity Date	Interest Payment Dates
2025 Notes	November 2014	January 15, 2025	January 15 and July 15
2027 Notes	August 2017	September 15, 2027	March 15 and September 15
2029 Notes	May 2019	May 15, 2029	May 15 and November 15
2049 Notes	May 2019	May 15, 2049	May 15 and November 15

In May 2019, the Company issued $375.0 million in aggregate principal amount at maturity of 2029 Notes and $325.0 million in aggregate principal amount at maturity of 2049 Notes. The 2029 Notes have a stated coupon rate of 4.25% and were priced at 99.691% of par, resulting in a yield to maturity of 4.288%. The 2049 Notes have a stated coupon rate of 5.25% and were priced at 98.32% of par, resulting in a yield to maturity of 5.363%.

The net proceeds from the offering were $693.3 million after original issue discount. The proceeds were used to redeem the $325.0 million in aggregate principal amount of the 2024 Notes at a redemption price equal to 102.688% of the principal amount of such 2024 Notes, plus accrued interest, as well as to finance the acquisition of Xevo (Note 2, “Acquisition”) and for general corporate purposes.

In connection with these transactions, the Company recognized a loss of $10.6 million on the extinguishment of debt in the nine months ended September 28, 2019, and paid related issuance costs of $6.5 million.

Covenants

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

As of September 28, 2019, the Company was in compliance with all covenants under the indentures governing the Notes.

Credit Agreement

The Company's unsecured credit agreement (the "Credit Agreement"), dated August 8, 2017, consists of a $1.75 billion revolving credit facility (the "Revolving Credit Facility") and a $250.0 million term loan facility (the "Term Loan Facility"). The maturity date of the Revolving Credit Facility is August 8, 2023, and the maturity date of the Term Loan Facility is August 8, 2022.

As of September 28, 2019 and December 31, 2018, there were no borrowings outstanding under the Revolving Credit Facility and $239.0 million and $242.2 million, respectively, of borrowings outstanding under the Term Loan Facility. In the first nine months of 2019, the Company made required principal payments of $3.1 million under the Term Loan Facility.

Advances under the Revolving Credit Facility and the Term Loan Facility generally bear interest based on (i) the Eurocurrency Rate (as defined in the Credit Agreement) or (ii) the Base Rate (as defined in the Credit Agreement) plus a margin, determined in accordance with a pricing grid. The range and the rate as of September 28, 2019, are shown below (in percentages):

	Eurocurrency Rate			Base Rate		
	Minimum	Maximum	Rate as of September 28, 2019	Minimum	Maximum	Rate as of September 28, 2019
Revolving Credit Facility	1.00%	1.60%	1.10%	0.00%	0.60%	0.10%
Term Loan Facility	1.125%	1.90%	1.25%	0.125%	0.90%	0.25%

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

Covenants

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

As of September 28, 2019, the Company was in compliance with all covenants under the Credit Agreement.

Other

As of September 28, 2019, other long-term debt consists of amounts outstanding under finance leases.

For further information related to the Company's debt, see Note 6, "Debt," to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

(10) Leases

On January 1, 2019, the Company adopted Accounting Standards Update ("ASU") 2016-02, "Leases," which requires lessees to record right-of-use assets and related lease obligations on the balance sheet, as well as disclose key information regarding leasing arrangements. Adoption of the standard resulted in the recognition of right-of-use assets of $438.1 million and related lease obligations of $445.8 million as of January 1, 2019. The standard did not have a significant impact on the Company's operating results or cash flows.

Transition

As permitted by the transition guidance, the Company adopted the standard by applying the modified retrospective method without the restatement of comparative periods. Accordingly, the Company has provided disclosures required by prior lease guidance for comparative periods.

The Company elected the package of practical expedients, which permits a lessee to not reassess under the new standard its prior conclusions regarding lease identification, lease classification and initial direct costs. The Company did not elect the practical expedient which permits the use of hindsight when determining the lease term and assessing right-of-use assets for impairment.

As permitted by the transition guidance, the Company used the remaining lease term as of the date of adoption of the standard to estimate discount rates. As permitted by the standard, the Company elected, for all asset classes, the short-term lease exemption. A short-term lease is a lease that, at the commencement date, has a term of twelve months or less and does not include an option to purchase the underlying asset.

Accounting Policy

The Company determines if an arrangement contains a lease at inception. The Company elected the practical expedient, for all asset classes, to account for each lease component of a contract and its associated non-lease components as a single lease component, rather than allocating a standalone value to each component of a lease.

For purposes of calculating operating lease obligations under the standard, the Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise such option. The Company's leases do not contain material residual value guarantees or material restrictive covenants.

Operating lease expense is recognized on a straight-line basis over the lease terms.

Discount Rate

The discount rate used to measure a lease obligation should be the rate implicit in the lease; however, the Company’s operating leases generally do not provide an implicit rate. Accordingly, the Company uses its incremental borrowing rate at lease commencement to determine the present value of lease payments. The incremental borrowing rate is an entity-specific rate which represents the rate of interest a lessee would pay to borrow on a collateralized basis over a similar term with similar payments.

Right-of-Use Assets and Lease Obligations

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

	September 28, 2019
Right-of-use assets under operating leases:	
Other long-term assets	$ 514.0
Lease obligations under operating leases:	
Accrued liabilities	$ 112.0
Other long-term liabilities	409.6
	$ 521.6

Maturities of lease obligations as of September 28, 2019, are shown below (in millions):

	September 28, 2019
2019 [(1)]	$ 35.3
2020	123.2
2021	101.1
2022	77.9
2023	60.1
Thereafter	207.9
Total undiscounted cash flows	605.5
Less: Imputed interest	(83.9)
Lease obligations under operating leases	$ 521.6

[(1)] For the remaining three months

The Company has entered into two lease contracts, of which one is expected to commence in the fourth quarter of 2019 with a lease term of approximately nine years, and the other is expected to commence in the third quarter of 2021 with a lease term of approximately ten years. The aggregate right-of-use assets and related lease obligations are expected to be approximately $55 million.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

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

	Three Months Ended September 28, 2019	Nine Months Ended September 28, 2019
Operating lease expense	$ 36.9	$ 104.4
Short-term lease expense	3.1	12.1
Variable lease expense	1.4	3.2
Total lease expense	$ 41.4	$ 119.7

The Company's short-term lease expense excludes leases with a duration of one month or less, as permitted by the standard.

Variable lease expense includes payments based on performance or usage, as well as changes to index and rate-based lease payments. Additionally, the Company evaluated its supply contracts with its customers and concluded that variable lease (income) expense in these arrangements is not material.

In the three and nine months ended September 29, 2018, the Company recorded rent expense of $41.3 million and $122.6 million, respectively.

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

	September 28, 2019
Weighted average remaining lease term (in years)	7.0
Weighted average discount rate	4.0%

The Company has entered into certain finance lease agreements which are not material to the condensed consolidated financial statements (Note 9, "Debt").

(11) Pension and Other Postretirement Benefit Plans

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

Net Periodic Pension and Other Postretirement Benefit (Credit) Cost

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

	Three Months Ended				Nine Months Ended			
	September 28, 2019		September 29, 2018		September 28, 2019		September 29, 2018	
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
Service cost	$ —	$ 1.5	$ 0.1	$ 1.7	$ —	$ 4.7	$ 0.1	$ 5.2
Interest cost	4.6	3.7	5.0	3.6	13.9	11.0	14.9	11.1
Expected return on plan assets	(5.0)	(5.2)	(7.0)	(5.7)	(15.1)	(15.6)	(20.8)	(17.4)
Amortization of actuarial loss	0.5	1.9	0.6	1.6	1.4	5.8	1.6	4.7
Curtailment loss	—	—	—	0.5	—	—	—	0.5
Settlement loss	—	—	—	—	0.1	—	0.2	—
Net periodic benefit (credit) cost	$ 0.1	$ 1.9	$ (1.3)	$ 1.7	$ 0.3	$ 5.9	$ (4.0)	$ 4.1

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

	Three Months Ended				Nine Months Ended			
	September 28, 2019		September 29, 2018		September 28, 2019		September 29, 2018	
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
Service cost	$ —	$ 0.1	$ —	$ 0.1	$ —	$ 0.2	$ —	$ 0.3
Interest cost	0.5	0.3	0.4	0.3	1.6	1.0	1.4	1.0
Amortization of actuarial (gain) loss	(0.6)	—	(0.6)	—	(1.7)	—	(1.7)	0.1
Amortization of prior service credit	—	—	—	(0.1)	(0.1)	(0.1)	(0.1)	(0.3)
Net periodic benefit (credit) cost	$ (0.1)	$ 0.4	$ (0.2)	$ 0.3	$ (0.2)	$ 1.1	$ (0.4)	$ 1.1

Contributions

In the nine months ended September 28, 2019, employer contributions to the Company's domestic and foreign defined benefit pension plans were $8.0 million.

The Company expects contributions to its domestic and foreign defined benefit pension plans to be $10 million to $15 million in 2019. The Company may elect to make contributions in excess of minimum funding requirements in response to investment performance or changes in interest rates or when the Company believes that it is financially advantageous to do so and based on its other cash requirements.

Subsequent Event

In September 2019, the Company announced the closure of one of its foreign Seating facilities. Eligible employees at the facility participate in defined benefit pension plans and a defined benefit postretirement plan and have until November 8, 2019, to elect certain options under the plans.

(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 minimal. The Company receives purchase orders from its customers, which provide the commercial terms for a particular production part, including price (but not quantities). Contracts may also provide for annual price reductions over the production life of the vehicle, and prices may be adjusted on an ongoing basis to reflect changes in product content/cost and other commercial factors.

The principal activity from which the Company generates its revenue is the manufacturing of production parts for major automotive manufacturers. Revenue is recognized at a point in time when control of the product is transferred to the customer under standard commercial terms, as the Company does not have an enforceable right to payment prior to such transfer. The amount of revenue recognized reflects the consideration that the Company expects to be entitled to in exchange for those products based on the annual purchase orders, annual price reductions and ongoing price adjustments (some of which is accounted for as variable consideration). The Company does not believe that there will be significant changes to its estimates of variable consideration.

The Company's customers pay for products received in accordance with payment terms that are customary within the industry. The Company's contracts with its customers do not have significant financing components.

The Company records a contract liability for advances received from its customers. As of September 28, 2019, there were no significant contract liabilities recorded. Further, there were no significant contract liabilities recognized in revenue during the first nine months of 2019.

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

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

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

	Three Months Ended					
	September 28, 2019			September 29, 2018		
	Seating	E-Systems	Total	Seating	E-Systems	Total
North America	$ 1,626.5	$ 250.5	$ 1,877.0	$ 1,524.0	$ 256.3	$ 1,780.3
Europe and Africa	1,291.2	495.7	1,786.9	1,392.5	552.3	1,944.8
Asia	667.6	312.7	980.3	638.6	350.8	989.4
South America	129.7	51.1	180.8	127.9	49.2	177.1
	$ 3,715.0	$ 1,110.0	$ 4,825.0	$ 3,683.0	$ 1,208.6	$ 4,891.6

	Nine Months Ended					
	September 28, 2019			September 29, 2018		
	Seating	E-Systems	Total	Seating	E-Systems	Total
North America	$ 4,815.5	$ 810.0	$ 5,625.5	$ 4,975.2	$ 844.0	$ 5,819.2
Europe and Africa	4,307.0	1,650.7	5,957.7	4,882.8	1,883.7	6,766.5
Asia	1,978.2	923.6	2,901.8	1,993.1	1,059.9	3,053.0
South America	367.4	140.3	507.7	436.5	130.9	567.4
	$ 11,468.1	$ 3,524.6	$ 14,992.7	$ 12,287.6	$ 3,918.5	$ 16,206.1

(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, losses on the extinguishment of debt, gains and losses on the disposal of fixed assets, gains and losses on the consolidation and deconsolidation of affiliates, the non-service cost components of net periodic benefit cost and other miscellaneous income and expense.

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

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Other expense	$ 13.7	$ 16.6	$ 41.7	$ 24.2
Other income	(4.0)	(3.4)	(13.8)	(12.9)
Other expense, net	$ 9.7	$ 13.2	$ 27.9	$ 11.3

In the three and nine months ended September 28, 2019, other expense includes net foreign currency transaction losses of $9.3 million and $16.5 million, respectively (Note 19, "Financial Instruments"), and other income includes a gain of $4.0 million related to the deconsolidation of an affiliate (Note 7, "Investment in Affiliates"). In the nine months ended September 28, 2019, other expense also includes a loss of $10.6 million on the extinguishment of debt (Note 9, "Debt").

In the three and nine months ended September 29, 2018, other expense includes net foreign currency transaction losses $10.2 million and $12.6 million, respectively (Note 19, "Financial Instruments"). In the nine months ended September 29, 2018, other income includes a gain of $10.0 million related to gaining control of an affiliate. For further information related to obtaining control of an affiliate, see Note 5, "Investments in Affiliates and Other Related Party Transactions," to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

(14) Income Taxes

A summary of the provision for income taxes and the corresponding effective tax rate for the three and nine months ended September 28, 2019 and September 29, 2018, is shown below (in millions, except effective tax rates):

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Provision for income taxes	$ 33.5	$ 57.6	$ 149.9	$ 233.0
Pretax income before equity in net income of affiliates	$ 267.0	$ 328.9	$ 820.8	$ 1,220.3
Effective tax rate	12.5%	17.5%	18.3%	19.1%

In the first nine months of 2019 and 2018, the provision for income taxes was primarily impacted by the level and mix of earnings among tax jurisdictions. In addition, the Company recognized tax benefits (expense) related to the significant, discrete items shown below (in millions):

	Nine Months Ended	
	September 28, 2019	September 29, 2018
Restructuring charges and various other items	$ 35.7	$ 9.9
Valuation allowances on deferred tax assets of a foreign subsidiary	(10.4)	36.4
Share-based compensation	3.1	10.8
Increase in foreign withholding tax on certain undistributed foreign earnings	—	(22.0)
Change in tax status of certain affiliates	18.4	—
Tax rate change in foreign subsidiary	—	7.2
Research and development tax credits	28.6	—
Adjustment to 2017 provisional U.S. income tax expense	—	9.3
	$ 75.4	$ 51.6

In the third quarter of 2019, the Company completed a U.S. research and development ("R&D") tax credit study for the years 2013 to 2018. As a result of the completion of the study, the Company concluded that certain R&D tax credit carryforwards were more likely than not to be sustained upon examination and recognized a tax benefit of $28.6 million in the three and nine months ended September 28, 2019. In addition, in the nine months ended September 28, 2019, the Company recognized a gain of $4.0 million related to the deconsolidation of an affiliate (Note 7, "Investment in Affiliates"), for which no tax expense was provided. In the nine months ended September 29, 2018, the Company recognized a gain of $10.0 million related to obtaining control of an affiliate, for which no tax expense was provided.

Excluding the items above, the effective tax rate for the first nine months of 2019 and 2018 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.

For further information related to the Company's income taxes, see Note 7, "Income Taxes," to the consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018. For further information related to obtaining control of an affiliate, see Note 5, "Investments in Affiliates and Other Related Party Transactions," to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

(15) Net Income Per Share Attributable to Lear

Basic net income per share available to Lear common stockholders is computed using the two-class method by dividing net income attributable to Lear, after deducting the redemption adjustment related to the redeemable noncontrolling interest, by the average number of common shares outstanding 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 available to Lear common stockholders.

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

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

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Net income attributable to Lear	$ 215.9	$ 252.5	$ 627.6	$ 937.6
Redeemable noncontrolling interest adjustment	3.6	(2.3)	9.4	(16.9)
Net income available to Lear common stockholders	$ 219.5	$ 250.2	$ 637.0	$ 920.7
Average common shares outstanding	61,133,723	65,372,829	62,042,156	66,256,800
Dilutive effect of common stock equivalents	196,363	495,831	220,747	453,128
Average diluted shares outstanding	61,330,086	65,868,660	62,262,903	66,709,928
Basic net income per share available to Lear common stockholders	$ 3.59	$ 3.83	$ 10.27	$ 13.90
Diluted net income per share available to Lear common stockholders	$ 3.58	$ 3.80	$ 10.23	$ 13.80

For further information related to the redeemable noncontrolling interest adjustment, see Note 16, "Comprehensive Income and Equity."

(16) Comprehensive Income and Equity

Comprehensive Income

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Accumulated Other Comprehensive Loss

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

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

In the three and nine months ended September 28, 2019, foreign currency translation adjustments are primarily related to the weakening of the Euro and the Chinese renminbi relative to the U.S. dollar and include pretax losses of $0.3 million and $0.2 million, respectively, related to intercompany transactions for which settlement is not planned or anticipated in the foreseeable future. In the three and nine months ended September 28, 2019, foreign currency translation adjustments also include derivative net investment hedge gains of $1.7 million.

A summary of changes, net of tax, in accumulated other comprehensive loss for the three and nine months ended September 29, 2018, is shown below (in millions):

	Three Months Ended September 29, 2018	Nine Months Ended September 29, 2018
Defined benefit plans:		
Balance at beginning of period	$ (178.4)	$ (184.0)
Reclassification adjustments (net of tax expense of $0.3 million and $0.9 million in the three and nine months ended September 29, 2018, respectively)	1.2	3.6
Other comprehensive income (loss) recognized during the period (net of tax impact of $— million in the three and nine months ended September 29, 2018)	(1.0)	2.2
Balance at end of period	$ (178.2)	$ (178.2)
Derivative instruments and hedging:		
Balance at beginning of period	$ (18.7)	$ (22.9)
Reclassification adjustments (net of tax benefit of $1.8 million and $2.7 million in the three and nine months ended September 29, 2018, respectively)	(6.4)	(9.9)
Other comprehensive income recognized during the period (net of tax expense of $13.4 million and $15.5 million in the three and nine months ended September 29, 2018, respectively)	48.8	56.5
Balance at end of period	$ 23.7	$ 23.7
Foreign currency translation:		
Balance at beginning of period	$ (430.6)	$ (306.5)
Other comprehensive loss recognized during the period (net of tax benefit of $2.4 million in the three and nine months ended September 29, 2018)	(70.8)	(194.9)
Balance at end of period	$ (501.4)	$ (501.4)
Total accumulated other comprehensive loss	$ (655.9)	$ (655.9)

In the three and nine months ended September 29, 2018, foreign currency translation adjustments are primarily related to weakening of the Euro, the Chinese renminbi and the Brazilian real relative to the U.S. dollar and include pretax losses of $0.8 million and $1.7 million, respectively, related to intercompany transactions for which settlement is not planned or anticipated in the foreseeable future.

For further information regarding reclassification adjustments related to the Company's defined benefit plans, see Note 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

On February 7, 2019, the Company's Board of Directors authorized an increase to the existing common stock share repurchase program authorization to $1.5 billion and extended the term of the program to December 31, 2021.

Share repurchases in the first nine months of 2019 are shown below (in millions except for shares and per share amounts):

Nine Months Ended September 28, 2019				As of September 28, 2019
Aggregate Repurchases [1]	Cash paid for Repurchases	Number of Shares	Average Price per Share [2]	Remaining Purchase Authorization
$ 355.4	$ 359.7	2,603,881	$ 136.48	$ 1,227.6

[1] Includes $83.0 million of repurchases made prior to the increased authorization
[2] Excludes commissions

Since the first quarter of 2011, the Company's Board of Directors has authorized $5.8 billion in share repurchases under the common stock share repurchase program. As of the end of the third quarter of 2019, the Company has repurchased, in aggregate, $4.6 billion of its outstanding common stock, at an average price of $89.72 per share, excluding commissions and related fees.

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

In addition to shares repurchased under the Company’s common stock share repurchase program described above, the Company classified shares withheld from the settlement of the Company’s restricted stock unit and performance share awards to cover tax withholding requirements as common stock held in treasury in the accompanying condensed consolidated balance sheets as of September 28, 2019 and December 31, 2018.

Quarterly Dividend

In the first nine months of 2019 and 2018, the Company’s Board of Directors declared quarterly cash dividends of $0.75 and $0.70 per share of common stock, respectively. Dividends declared and paid are shown below (in millions):

	Nine Months Ended	
	September 28, 2019	September 29, 2018
Dividends declared	$ 140.3	$ 141.1
Dividends paid	141.1	142.1

Dividends payable on common shares to be distributed under the Company’s stock-based compensation program and common shares contemplated as part of the Company’s emergence from Chapter 11 bankruptcy proceedings will be paid when such common shares are distributed.

Redeemable Noncontrolling Interest

In accordance with GAAP, the Company records redeemable noncontrolling interests at the greater of (1) the initial carrying amount adjusted for the noncontrolling interest holder’s share of total comprehensive income or loss and dividends ("noncontrolling interest carrying value") or (2) the redemption value as of and based on conditions existing as of the reporting date. Required redeemable noncontrolling interest adjustments are recorded as an increase to redeemable noncontrolling interests, with an offsetting adjustment to retained earnings. The redeemable noncontrolling interest is classified in mezzanine equity in the accompanying condensed consolidated balance sheets as of September 28, 2019 and December 31, 2018.

For further information related to the redeemable noncontrolling interest adjustment, see Note 15, "Net Income Per Share Attributable to Lear," herein, as well as Note 5, "Investments in Affiliates and Other Related Party Transactions," to the consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

Noncontrolling Interests

In July 2019, the Company deconsolidated GACC as it no longer controls this entity (Note 7, "Investment in Affiliates").

In the first nine months of 2018, the Company gained control of an affiliate and acquired the outstanding non-controlling interest of another affiliate. For further information related to these affiliate transactions, see Note 5, "Investments in Affiliates and Other Related Party Transactions," to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

(17) Legal and Other Contingencies

As of September 28, 2019 and December 31, 2018, the Company had recorded reserves for pending legal disputes, including commercial disputes and other matters, of $13.9 million and $11.0 million, respectively. Such reserves reflect amounts recognized in accordance with GAAP and exclude the cost of legal representation. Product liability and warranty reserves are recorded separately from legal reserves, as described below.

Commercial Disputes

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

Product Liability and Warranty Matters

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

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

In certain instances, allegedly defective products may be supplied by Tier 2 suppliers. The Company may seek recovery from its suppliers of materials or services included within the Company's products that are associated with product liability and warranty claims. The Company carries insurance for certain legal matters, including product liability claims, but such coverage may be limited. The Company does not maintain insurance for product warranty or recall matters. Future dispositions with respect to the Company's product liability claims that were subject to compromise under the Chapter 11 bankruptcy proceedings will be satisfied out of a common stock and warrant reserve established for that purpose.

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

A summary of the changes in reserves for product liability and warranty claims for the nine months ended September 28, 2019, is shown below (in millions):

Balance at January 1, 2019	$	28.5
Expense, net (including changes in estimates)		12.4
Settlements		(11.2)
Foreign currency translation and other		0.2
Balance at September 28, 2019	$	29.9

Environmental Matters

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

As of September 28, 2019 and December 31, 2018, the Company had recorded environmental reserves of $9.3 million and $9.0 million, respectively. The Company does not believe that the environmental liabilities associated with its current and former properties will have a material adverse impact on its business, financial condition, results of operations or cash flows; however, no assurances can be given in this regard.

Other Matters

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

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

(18) Segment Reporting

The Company has two reportable operating segments: Seating, which includes complete seat systems and all major seat components, including seat covers and surface materials such as leather and fabric, seat structures and mechanisms, seat foam and headrests, and E-Systems, which includes complete electrical distribution systems, as well as sophisticated electronic control modules, electrification products, connectivity products and software solutions for the cloud, cars and mobile devices.

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, corporate finance, legal, executive administration and human resources, as well as advanced engineering expenses.

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

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

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

	Three Months Ended September 29, 2018			
	Seating	E-Systems	Other	Consolidated
Revenues from external customers	$ 3,683.0	$ 1,208.6	$ —	$ 4,891.6
Segment earnings [1]	294.0	138.4	(69.1)	363.3
Depreciation and amortization	80.1	36.1	3.6	119.8
Capital expenditures	109.2	49.8	1.5	160.5
Total assets	7,311.2	2,578.8	2,119.4	12,009.4

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

	Nine Months Ended September 29, 2018			
	Seating	E-Systems	Other	Consolidated
Revenues from external customers	$ 12,287.6	$ 3,918.5	$ —	$ 16,206.1
Segment earnings [1]	981.8	504.3	(191.7)	1,294.4
Depreciation and amortization	241.5	109.6	10.7	361.8
Capital expenditures	335.2	150.4	7.1	492.7

[1] See definition above

For the three months ended September 28, 2019, segment earnings include restructuring charges of $18.2 million, $9.0 million and $0.7 million in the Seating and E-Systems segments and in the other category, respectively. For the nine months ended September 28, 2019, segment earnings include restructuring charges of $91.7 million, $26.2 million and $1.0 million in the Seating and E-Systems segments and in the other category, respectively. The Company expects to incur approximately $44 million and approximately $23 million of additional restructuring costs in the Seating and E-Systems segments, respectively, related to activities initiated as of September 28, 2019, and expects that the components of such costs will be consistent with its historical experience.

For the three months ended September 29, 2018, segment earnings include restructuring charges of $17.3 million, $2.4 million and $0.1 million in the Seating and E-Systems segments and in the other category, respectively. For the nine months ended September 29, 2018, segment earnings include restructuring charges of $37.6 million, $7.9 million and $2.7 million in the Seating and E-Systems segments and in the other category, respectively.

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

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

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Segment earnings	$ 300.7	$ 363.3	$ 918.1	$ 1,294.4
Interest expense	24.0	21.2	69.4	62.8
Other expense, net	9.7	13.2	27.9	11.3
Consolidated income before provision for income taxes and equity in net income of affiliates	$ 267.0	$ 328.9	$ 820.8	$ 1,220.3

(19) Financial Instruments

Debt Instruments

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

	September 28, 2019	December 31, 2018
Estimated aggregate fair value (1)	$ 2,379.9	$ 1,921.6
Aggregate carrying value (1) (2)	2,339.0	1,967.2

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

Cash, Cash Equivalents and Restricted Cash

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

	September 28, 2019	September 29, 2018
Balance sheet - cash and cash equivalents	$ 1,300.9	$ 1,198.6
Restricted cash included in other current assets	15.6	8.5
Restricted cash included in other long-term assets	6.8	17.8
Statement of cash flows - cash, cash equivalents and restricted cash	$ 1,323.3	$ 1,224.9

Marketable Equity Securities

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

	September 28, 2019	December 31, 2018
Current assets	$ 16.1	$ 4.8
Other long-term assets	39.5	42.5
	$ 55.6	$ 47.3

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

Equity Securities Without Readily Determinable Fair Values

Included in other long-term assets in the accompanying condensed consolidated balance sheets as of September 28, 2019 and December 31, 2018, are $20.2 million and $12.7 million, respectively, of investments in equity securities without readily determinable fair values. Such investments are valued at cost, less any impairment, and adjusted for changes resulting from observable, orderly transactions for identical or similar securities.

Derivative Instruments and Hedging Activities

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

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

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

Foreign Exchange

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

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

Net Investment Hedges

In September 2019, the Company entered into $300.0 million of 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.

Interest Rate Swaps

Included in other current liabilities in the accompanying condensed consolidated balance sheet as of December 31, 2018, is $14.7 million related to the estimated fair value of forward starting interest rate swap contracts with a notional amount of $500.0 million.

Balance Sheet Classification

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

	September 28, 2019	December 31, 2018
Fair value of foreign currency contracts designated as cash flow hedges:		
Other current assets	$ 22.0	$ 20.6
Other long-term assets	2.5	2.8
Other current liabilities	(5.6)	(8.4)
Other long-term liabilities	(1.7)	(2.0)
	17.2	13.0
Notional amount	$ 1,216.5	$ 1,499.0
Outstanding maturities in months, not to exceed	24	24
Fair value of derivatives designated as net investment hedges:		
Other long-term assets	1.7	—
Notional amount	$ 300.0	$ —
Outstanding maturities in months, not to exceed	60	n/a
Fair value of foreign currency contracts not designated as hedging instruments:		
Other current assets	$ 9.2	$ 6.1
Other current liabilities	(3.4)	(4.8)
	5.8	1.3
Notional amount	$ 1,164.2	$ 654.0
Outstanding maturities in months, not to exceed	15	12
Total fair value	$ 24.7	$ 14.3
Total notional amount	$ 2,680.7	$ 2,153.0

Accumulated Other Comprehensive Loss - Derivative Instruments and Hedging

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

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Gains (losses) recognized in accumulated other comprehensive loss:				
Foreign currency contracts	$ (5.0)	$ 54.6	$ 37.4	$ 67.3
Net investment hedges	1.7	—	1.7	—
Interest rate swap contracts	—	7.6	(9.5)	4.7
	(3.3)	62.2	29.6	72.0
(Gains) losses reclassified from accumulated other comprehensive loss to:				
Net sales	1.3	(0.2)	2.3	2.6
Cost of sales	(12.6)	(8.0)	(35.5)	(15.2)
Interest expense	0.6	—	0.9	—
	(10.7)	(8.2)	(32.3)	(12.6)
Comprehensive income (loss)	$ (14.0)	$ 54.0	$ (2.7)	$ 59.4

As of September 28, 2019 and December 31, 2018, pretax net gains (losses) of $4.4 million and ($1.7) 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):

Net gains related to foreign currency contracts	$ 16.4
Net losses related to interest rate swap contracts	(2.3)
Total	$ 14.1

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

Fair Value Measurements

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

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

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

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

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

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

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

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

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

Items Measured at Fair Value on a Recurring Basis

Fair value measurements and the related valuation techniques and fair value hierarchy level for the Company's assets and liabilities measured at fair value on a recurring basis as of September 28, 2019 and December 31, 2018, are shown below (in millions):

	September 28, 2019					
	Frequency	**Asset (Liability)**	**Valuation Technique**	**Level 1**	**Level 2**	**Level 3**
Foreign currency contracts, net	Recurring	$ 23.0	Market/ Income	$ —	$ 23.0	$ —
Net investment hedges	Recurring	$ 1.7	Market/ Income	$ —	$ 1.7	$ —
Marketable equity securities	Recurring	$ 55.6	Market	$ 55.6	$ —	$ —

	December 31, 2018					
	Frequency	**Asset (Liability)**	**Valuation Technique**	**Level 1**	**Level 2**	**Level 3**
Foreign currency contracts, net	Recurring	$ 14.3	Market/ Income	$ —	$ 14.3	$ —
Interest rate swap contracts	Recurring	$ (14.7)	Market/ Income	$ —	$ (14.7)	$ —
Marketable equity securities	Recurring	$ 47.3	Market	$ 47.3	$ —	$ —

The Company determines the fair value of its derivative contracts using quoted market prices to calculate the forward values and then discounts such forward values to the present value. The discount rates used are based on quoted bank deposit or swap interest rates. If a derivative contract is in a net liability position, the Company adjusts these discount rates, if required, by an estimate of the credit spread that would be applied by market participants purchasing these contracts from the Company's counterparties. If an estimate of the credit spread is required, the Company uses significant assumptions and factors other than quoted market rates, which would result in the classification of its derivative liabilities within Level 3 of the fair value hierarchy. As of September 28, 2019 and December 31, 2018, 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 2019.

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 Xevo (Note 2, "Acquisition"), Level 3 fair value estimates of $93.2 million related to intangible assets are recorded in the accompanying condensed consolidated balance sheet as of September 28, 2019. The estimated fair values of these assets were based on third-party valuations and management's estimates, generally utilizing the income and cost approaches.

Subsequent to the deconsolidation of GACC (Note 7, "Investment in Affiliates"), the Company is accounting for its investment in GACC using the equity method. The Level 3 fair value estimate related to the Company's equity interest was based on the present value of future cash flows and reflects a discount for the lack of control and the lack of marketability associated with equity interests.

As of September 28, 2019, 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 ASUs issued by the Financial Accounting Standards Board ("FASB").

The Company considered the ASUs summarized below, effective for 2019:

Leases

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02, "Leases," which requires lessees to record right-of-use assets and related lease obligations on the balance sheet, as well as disclose key information regarding leasing arrangements. On January 1, 2019, the Company adopted the standard by applying the modified retrospective method without the restatement of comparative financial information, as permitted by the transition guidance (Note 10, "Leases").

Tax Effects from Accumulated Other Comprehensive Income

Effective January 1, 2019, ASU 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" allows for the reclassification of "stranded" tax effects as a result of the Tax Cuts and Jobs Act from accumulated other comprehensive income to retained earnings. The Company elected not to reclassify such amounts. The Company reclassifies taxes from accumulated other comprehensive loss to earnings as the items to which the tax effects relate are similarly reclassified.

The Company considered the ASUs summarized below, effective after 2019:

Measurement of Credit Losses on Financial Instruments

Effective January 1, 2020, the standard changes the impairment model for most financial instruments to a current expected credit loss model. The guidance applies to all financial assets such as loans, accounts receivable (including long-term receivables), contract assets, net investments in sales-type and direct financing leases, held-to-maturity securities and certain financial guarantees. The new model will generally result in earlier recognition of credit losses. The Company does not expect the adoption of this standard to significantly impact the Company's consolidated financial statements.

Simplifying the Test for Goodwill Impairment

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

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

EXECUTIVE OVERVIEW

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

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

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

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

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

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 our content per vehicle. Global automotive industry production volumes in the first nine months of 2019, as compared to the first nine months of 2018, are shown below (in millions of units):

	Nine Months Ended		
	September 28, 2019 [1]	September 29, 2018 [1] [2]	% Change
North America	12.5	12.8	(2)%
Europe and Africa	16.4	17.1	(4)%
Asia	32.7	35.2	(7)%
South America	2.4	2.5	(3)%
Other	1.0	1.5	(34)%
Global light vehicle production	65.0	69.1	(6)%

[1] Production data based on IHS Automotive
[2] Production data for 2018 has been updated to reflect actual production levels

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 that we supply for these platforms. The loss of business with respect to any vehicle model for which we are a significant supplier, or a decrease in the production levels of any such models, could adversely affect our operating results. In addition, larger cars and light trucks, as well as vehicle platforms that offer more features and functionality, such as luxury, sport utility and crossover vehicles, typically have more content and, therefore, tend to have a more significant impact on our operating results.

Our percentage of consolidated net sales by region in the first nine months of 2019 and 2018 is shown below:

	Nine Months Ended	
	September 28, 2019	September 29, 2018
North America	38%	36%
Europe and Africa	40%	42%
Asia	19%	19%
South America	3%	3%
Total	100%	100%

Our ability to reduce the risks inherent in certain concentrations of 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.

Key trends that specifically affect our business include automotive manufacturers' utilization of global vehicle platforms, increasing demand for luxury and performance features, including increasing levels of electrical and electronic content, and China's emergence as the single largest automotive market in the world, as well as the shift toward crossover and sport utility vehicles, where our content can be significantly higher than our average content per vehicle. In addition, we believe that demand for efficiency, connectivity and safety are driving the technology trends of autonomy, connectivity and electrification. These trends, along with the trend toward shared mobility, are likely to be at the forefront of our industry for the foreseeable future with each converging long-term toward fully autonomous, connected, electric or hybrid electric vehicles.

Our sales and marketing approach is based on addressing these trends, while our strategy focuses on the major imperatives for success as an automotive supplier: quality, service, cost and efficiency and innovation and technology. We have expanded key component and software capabilities through organic investment and acquisitions to ensure a full complement of the highest quality solutions for our customers. We have restructured, and continue to align, our manufacturing and engineering footprint to attain a leading competitive position globally. We have established or expanded our capabilities in new and growing markets, especially China, in support of our customers' growth and global platform initiatives. These initiatives have helped us achieve our financial goals overall, as well as a more balanced regional, customer and vehicle segment diversification in our business.

For further information related to these trends and our strategy, see Part 1 — Item 1, "Business — Industry and Strategy" of our Annual Report on Form 10-K for the year ended December 31, 2018.

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 achieve product cost reductions through product design enhancement and supply chain management, as well as 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 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 64.8% in the first nine months of 2019, as compared to 64.4% in the first nine months of 2018. Raw material, energy and commodity costs can be volatile, reflecting changes in supply and demand and global trade and tariff policies. We have developed and implemented strategies to mitigate the impact of higher raw material, energy and commodity costs, such as the selective in-sourcing of components, the continued consolidation of our supply base, longer-term purchase commitments and the selective expansion of low-cost country sourcing and engineering, as well as value engineering and product benchmarking. However, these strategies, together with commercial negotiations with our customers and suppliers, typically offset only a portion of the adverse impact. Certain of these strategies also may limit our opportunities in a declining commodity environment. In addition, the availability of raw materials, 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, 2018.

Financial Measures

In evaluating our financial condition and operating performance, we focus primarily on earnings, operating margins, cash flows and return on invested capital. In addition to maintaining and expanding our business with our existing customers in our more established markets, our expansion plans are focused primarily on emerging markets. Asia, and China in particular, continues to present long-term growth opportunities, as certain major global automotive manufacturers implement production expansion plans and certain local automotive manufacturers expand their operations to meet increasing demand in this region. In addition to our wholly owned locations, we currently have eleven operating joint ventures with operations in Asia, as well as two additional joint ventures in North America dedicated to serving Asian automotive manufacturers. We also have aggressively pursued this strategy by selectively increasing our vertical integration capabilities globally, as well as expanding our component manufacturing capacity in Asia, Brazil, Eastern Europe, Mexico and Northern Africa. Furthermore, we have expanded 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 vendor payment terms with our customer payment terms. However, our ability to continue to do so may be impacted by adverse automotive industry conditions, changes to our customers' payment terms and the financial condition of our suppliers, as well as our financial condition. 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 17, 2019, we completed the acquisition of Xevo Inc. ("Xevo"), a Seattle-based, global leader in connected car software, by acquiring all of Xevo's outstanding shares for $322 million, net of cash acquired. Xevo is a supplier of software solutions for the cloud, cars and mobile devices that are deployed in millions of vehicles worldwide.

For further information, see Note 2, "Acquisition," to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q (this "Report").

Financing Transactions

Senior Notes

In May 2019, we issued $375 million in aggregate principal amount at maturity of senior unsecured notes due in 2029 (the "2029 Notes") and $325 million in aggregate principal amount at maturity of senior unsecured notes due in 2049 (the "2049 Notes"). The 2029 Notes have a stated coupon rate of 4.25% and were priced at 99.691% of par, resulting in a yield to maturity of 4.288%. The 2049 Notes have a stated coupon rate of 5.25% and were priced at 98.32% of par, resulting in a yield to maturity of 5.363%.

The net proceeds from the offering were $693 million after original issue discount. The proceeds were used to redeem the $325 million in aggregate principal amount of senior unsecured notes due in 2024 (the "2024 Notes") at a redemption price equal to 102.688% of the principal amount of such 2024 Notes, plus accrued interest, as well as to finance the acquisition of Xevo and for general corporate purposes. In connection with these transactions, we recognized a loss of $11 million on the extinguishment of debt in the nine months ended September 28, 2019, and paid related issuance costs of $7 million.

For further information, see "— Liquidity and Capital Resources — Capitalization — Senior Notes" below and Note 9 "Debt," to the condensed consolidated financial statements included in this Report.

Credit Agreement

Our credit agreement (the "Credit Agreement"), dated August 8, 2017, consists of a $1.75 billion revolving credit facility (the "Revolving Credit Facility") and a $250 million term loan facility (the "Term Loan Facility"). The maturity date of the Revolving Credit Facility is August 8, 2023, and the maturity date of the Term Loan Facility is August 8, 2022.

For further information, see "— Liquidity and Capital Resources — Capitalization — Credit Agreement" below and Note 9, "Debt," to the condensed consolidated financial statements included in this Report.

Operational Restructuring

In the first nine months of 2019, we incurred pretax restructuring costs of $123 million and related manufacturing inefficiency charges of $5 million, as compared to pretax restructuring costs of $48 million and related manufacturing inefficiency charges of $12 million in the first nine months of 2018. None of the individual restructuring actions initiated during 2019 were material. Our restructuring actions include plant closures and workforce reductions and are initiated to maintain our competitive footprint or are in response to customer initiatives or changes in global and regional automotive markets. The increase in restructuring costs in 2019, as compared to 2018, is primarily attributable to elevated customer actions in 2019. Our restructuring actions are designed to maintain or improve our future operating results and to ensure profitability throughout the cyclical nature of the automotive industry. Restructuring actions are generally funded within twelve months of initiation and are funded by cash flows from operating activities and existing cash balances. There have been no changes in previously initiated restructuring actions that have resulted (or will result) in a material change to our restructuring costs. We expect to incur approximately $67 million of additional restructuring costs related to activities initiated as of September 28, 2019, all of which are expected to be incurred by the end of 2020. We plan to implement additional restructuring actions in the future, if necessary, in order to align our manufacturing capacity and other costs with prevailing regional automotive production levels and locations. Such future restructuring actions are dependent on market conditions, customer actions and other factors.

For further information, see Note 3, "Restructuring," and Note 18, "Segment Reporting," to the condensed consolidated financial statements included in this Report.

Share Repurchase Program and Quarterly Cash Dividends

Since the first quarter of 2011, our Board of Directors has authorized $5.8 billion in share repurchases under our common stock share repurchase program. In the first nine months of 2019, we repurchased $355 million of shares and have a remaining repurchase authorization of $1.2 billion, which will expire on December 31, 2021.

In the first three quarters of 2019, our Board of Directors declared a quarterly cash dividend of $0.75 per share of common stock, reflecting a 7% increase over the quarterly cash dividend declared in 2018.

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

Other Matters

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

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

In January 2018, we acquired an additional 20% interest in Changchun Lear FAWSN Automotive Electrical and Electronics Co., Ltd. ("Lear FAWSN") from a joint venture partner and amended the existing joint venture agreement to eliminate the substantive participating rights of the remaining joint venture partner. Prior to the amendment, Lear FAWSN was accounted for under the equity method. In conjunction with obtaining control of Lear FAWSN and the valuation of our prior equity investment in Lear FAWSN at fair value, we recognized a gain of $10 million in the nine months ended September 29, 2018.

In the three months ended September 29, 2018, we recognized net tax benefits of $22 million related to an adjustment to the 2017 provisional income tax expense, a tax rate change in a foreign subsidiary, restructuring charges and various other items. In the nine months ended September 29, 2018, we recognized tax benefits of $74 million related to the reversal of valuation allowances on the deferred tax assets of certain foreign subsidiaries, share-based compensation, an adjustment to the 2017 provisional income tax expense, a tax rate change in a foreign subsidiary, restructuring charges and various other items, offset by tax expense of $22 million related to an increase in foreign withholding tax on certain undistributed foreign earnings.

As discussed above, our results for the three and nine months ended months ended September 28, 2019 and September 29, 2018, reflect the following items (in millions):

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Costs related to restructuring actions, including manufacturing inefficiencies of $2 million and $5 million in the three and nine months ended September 28, 2019, and $2 million and $12 million in the three and nine months ended September 29, 2018	$ 33	$ 22	$ 128	$ 60
Acquisition and other related costs	—	—	2	—
Litigation	—	—	1	(17)
Loss on extinguishment of debt	—	—	11	—
(Gain) loss related to affiliate	(4)	3	(6)	(7)
Tax benefit, net	(38)	(22)	(75)	(52)

For further information regarding these items, see Note 2, "Acquisition," Note 3, "Restructuring," Note 7, "Investment in Affiliates," Note 9, "Debt," and Note 14, "Income Taxes," to the condensed consolidated financial statements included in this Report and Note 5, "Investments in Affiliates and Other Related Party Transactions," to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018.

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, 2018.

RESULTS OF OPERATIONS

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

	Three Months Ended				Nine Months Ended			
	September 28, 2019		September 29, 2018		September 28, 2019		September 29, 2018	
Net sales								
Seating	$ 3,715.0	77.0 %	$ 3,683.0	75.3 %	$ 11,468.1	76.5 %	$ 12,287.6	75.8 %
E-Systems	1,110.0	23.0	1,208.6	24.7	3,524.6	23.5	3,918.5	24.2
Net sales	4,825.0	100.0	4,891.6	100.0	14,992.7	100.0	16,206.1	100.0
Cost of sales	4,365.7	90.5	4,365.3	89.2	13,582.0	90.6	14,410.3	88.9
Gross profit	459.3	9.5	526.3	10.8	1,410.7	9.4	1,795.8	11.1
Selling, general and administrative expenses	141.9	2.9	150.3	3.1	447.3	3.0	462.5	2.9
Amortization of intangible assets	16.7	0.3	12.7	0.3	45.3	0.3	38.9	0.2
Interest expense	24.0	0.5	21.2	0.4	69.4	0.4	62.8	0.4
Other expense, net	9.7	0.2	13.2	0.3	27.9	0.2	11.3	0.1
Provision for income taxes	33.5	0.7	57.6	1.2	149.9	1.0	233.0	1.4
Equity in net income of affiliates	(5.1)	(0.1)	(3.4)	(0.1)	(15.8)	(0.1)	(16.6)	(0.1)
Net income attributable to noncontrolling interests	22.7	0.5	22.2	0.4	59.1	0.4	66.3	0.4
Net income attributable to Lear	$ 215.9	4.5 %	$ 252.5	5.2 %	$ 627.6	4.2 %	$ 937.6	5.8 %

Three Months Ended September 28, 2019 vs. Three Months Ended September 29, 2018

Net sales in the third quarter of 2019 were $4.8 billion, as compared to $4.9 billion in the third quarter of 2018, a decrease of $67 million or 1%. Lower production volumes on Lear platforms in most regions and net foreign exchange rate fluctuations negatively impacted net sales by $284 million and $108 million, respectively. These decreases were partially offset by the impact of new business in all regions which increased net sales by $326 million.

(in millions)	Cost of Sales
Third quarter 2018	$ 4,365
Material cost	21
Labor and other	(25)
Depreciation	5
Third quarter 2019	$ 4,366

Cost of sales in the third quarters of 2019 and 2018 was $4.4 billion. Lower production volumes on Lear platforms in most regions and net foreign exchange rate fluctuations were offset by the impact of new business in all regions.

Gross profit and gross margin were $459 million and 9.5% of net sales, respectively, in the third quarter of 2019, as compared to $526 million and 10.8% of net sales, respectively, in the third quarter of 2018. Lower production volumes on Lear platforms and net foreign exchange rate fluctuations, partially offset by the impact of new business, negatively impacted gross profit by $46 million. The impact of selling price reductions was partially offset by favorable operating performance, including the benefit of operational restructuring actions, and the acquisition of Xevo. These factors had a corresponding impact on gross margin.

Selling, general and administrative expenses, including engineering and development expenses, were $142 million in the third quarter of 2019, as compared to $150 million in the third quarter of 2018. As a percentage of net sales, selling, general and administrative expenses were 2.9% in the third quarter of 2019, as compared to 3.1% in the third quarter of 2018. In the third quarter of 2019, selling, general and administrative expenses benefited from lower compensation-related costs, partially offset by expenses of our Xevo acquisition.

Amortization of intangible assets was $17 million in the third quarter of 2019, as compared to $13 million in the third quarter of 2018, reflecting the acquisition of Xevo.

Interest expense was $24 million in the third quarter of 2019, as compared to $21 million in the third quarter of 2018, reflecting our 2019 financing transactions related to the acquisition of Xevo.

Other expense, net, which includes non-income related taxes, foreign exchange gains and losses, gains and losses related to certain derivative instruments and hedging activities, losses on the extinguishment of debt, gains and losses on the disposal of fixed assets, gains and losses on the consolidation and deconsolidation of affiliates, the non-service cost components of net periodic benefit cost and other miscellaneous income and expense, was $10 million in the third quarter of 2019, as compared to $13 million in the third quarter of 2018. In the third quarter of 2019, we recognized a gain of $4 million related to the deconsolidation of an affiliate.

In the third quarter of 2019, the provision for income taxes was $34 million, representing an effective tax rate of 12.5% on pretax income before equity in net income of affiliates of $267 million. In the third quarter of 2018, the provision for income taxes was $58 million, representing an effective tax rate of 17.5% on pretax income before equity in net income of affiliates of $329 million, for the reasons described below.

In the third quarters of 2019 and 2018, the provision for income taxes was primarily impacted by the level and mix of earnings among tax jurisdictions. In the third quarter of 2019, we recognized tax benefits of $29 million related to an increase in our research and development tax credits for the years 2013 through 2018 and net tax benefits of $9 million related to restructuring and various other items. In addition, we recognized a gain of $4 million related to the deconsolidation of an affiliate, for which no tax expense was provided. In the third quarter of 2018, we recognized tax benefits of $7 million related to an adjustment to the 2017 provisional income tax expense, $7 million related to a tax rate change in a foreign subsidiary and $8 million related to restructuring charges and various other items.

Excluding these items, the effective tax rate for the third quarters of 2019 and 2018 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 $5 million in the third quarter of 2019, as compared to $3 million in the third quarter of 2018.

Net income attributable to Lear was $216 million, or $3.58 per diluted share, in the third quarter of 2019, as compared to $253 million, or $3.80 per diluted share, in the third quarter of 2018. Net income and diluted net income per share decreased for the reasons described above. In addition, diluted net income per share was impacted by the decrease in average shares outstanding between periods.

Reportable Operating Segments

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

The financial information presented below is for our two reportable operating segments and our other category for the periods presented. The other category includes unallocated costs related to corporate headquarters, regional headquarters and the elimination of intercompany activities, none of which meets the requirements for being classified as an operating segment. Corporate and regional headquarters costs include various support functions, such as information technology, corporate finance, legal, executive administration and human resources. Financial measures regarding each segment’s pretax income before equity in net income of affiliates, interest expense and other expense, net ("segment earnings") and segment earnings divided by net sales ("margin") are not measures of performance under accounting principles generally accepted in the United States ("GAAP"). Segment earnings and the related margin are used by management to evaluate the performance of our reportable operating segments. Segment earnings should not be considered in isolation or as a substitute for net income attributable to Lear, net cash provided by operating activities or other income statement or cash flow statement data prepared in accordance with GAAP or as measures of profitability or liquidity. In addition, segment earnings, as we determine it, may not be comparable to related or similarly titled measures reported by other companies. For a reconciliation of consolidated segment earnings to consolidated income before provision for income taxes and equity in net income of affiliates, see Note 18, "Segment Reporting," to the condensed consolidated financial statements included in this Report.

Seating

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

	Three Months Ended	
	September 28, 2019	September 29, 2018
Net sales	$ 3,715.0	$ 3,683.0
Segment earnings (1)	281.5	294.0
Margin	7.6%	8.0%

(1) See definition above

Seating net sales were $3.7 billion in the third quarters of 2019 and 2018, with third quarter 2019 net sales exceeding third quarter 2018 net sales by $32 million or 1%. The impact of new business increased net sales by $305 million. This increase was largely offset by lower production volumes on Lear platforms and net foreign exchange rate fluctuations, which negatively impacted net sales by $200 million and $77 million, respectively.

Segment earnings, including restructuring costs, and the related margin on net sales were $282 million and 7.6% in the third quarter of 2019, as compared to $294 million and 8.0% in the third quarter of 2018. Lower production volumes on Lear platforms and net foreign exchange rate fluctuations, partially offset by the impact of new business, negatively impacted segment earnings by $22 million. Favorable operating performance, including the benefit of operational restructuring actions, of $55 million was largely offset by the impact of selling price reductions.

E-Systems

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

	Three Months Ended	
	September 28, 2019	September 29, 2018
Net sales	$ 1,110.0	$ 1,208.6
Segment earnings (1)	74.3	138.4
Margin	6.7%	11.5%

(1) See definition above

E-Systems net sales were $1.1 billion in the third quarter of 2019, as compared to $1.2 billion in the third quarter of 2018, reflecting a decrease of $99 million or 8%. Lower production volumes on Lear platforms and net foreign exchange rate fluctuations negatively impacted net sales by $84 million and $31 million, respectively. These decreases were partially offset by the impact of new business and the acquisition of Xevo, which increased net sales by $51 million.

Segment earnings, including restructuring costs, and the related margin on net sales were $74 million and 6.7% in the third quarter of 2019, as compared to $138 million and 11.5% in the third quarter of 2018. Lower production volumes on Lear platforms and net foreign exchange rate fluctuations, partially offset by the impact of new business, negatively impacted segment earnings by $24 million. Selling price reductions, partially offset by improved operating performance, also negatively impacted segment earnings.

Other

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

	Three Months Ended	
	September 28, 2019	September 29, 2018
Net sales	$ —	$ —
Segment earnings (1)	(55.1)	(69.1)
Margin	N/A	N/A

(1) See definition above

Segment earnings related to our other category were ($55) million in the third quarter of 2019, as compared to $(69) million in the third quarter of 2018, primarily reflecting lower compensation-related costs in 2019.

Nine Months Ended September 28, 2019 vs. Nine Months Ended September 29, 2018

Net sales for the nine months ended September 28, 2019, were $15.0 billion, as compared to $16.2 billion for the nine months ended September 29, 2018, a decrease of $1.2 billion or 7%. Lower production volumes on Lear platforms in all regions and net foreign exchange rate fluctuations negatively impacted net sales by $1,347 million and $605 million, respectively. These decreases were partially offset by the impact of new business in all regions, which increased net sales by $767 million.

(in millions)	Cost of Sales
First nine months of 2018	$ 14,410
Material cost	(720)
Labor and other	(120)
Depreciation	12
First nine months of 2019	$ 13,582

Cost of sales in the first nine months of 2019 were $13.6 billion, as compared to $14.4 billion in the first nine months of 2018. Lower production volumes on Lear platforms in all regions and net foreign exchange rate fluctuations, partially offset by the impact of new business in all regions, reduced cost of sales by $896 million.

Gross profit and gross margin were $1.4 billion and 9.4% of net sales, respectively, for the nine months ended September 28, 2019, as compared to $1.8 billion and 11.1% of net sales, respectively, for the nine months ended September 29, 2018. Lower production volumes on Lear platforms and net foreign exchange rate fluctuations, partially offset by the impact of new business, negatively impacted gross profit by $289 million. The impact of selling price reductions and, to a lesser extent, higher restructuring costs was partially offset by favorable operating performance, including the benefit of operational restructuring actions. These factors had a corresponding impact on gross margin.

Selling, general and administrative expenses, including engineering and development expenses, were $447 million in the first nine months of 2019, as compared to $463 million in the first nine months of 2018. As a percentage of net sales, selling, general and administrative expenses were 3.0% in the first nine months of 2019, as compared to 2.9% in the first nine months of 2018. In 2019, selling, general and administrative expenses benefited from lower compensation-related costs and the impact of net foreign exchange fluctuations, partially offset by expenses of our Xevo acquisition.

Amortization of intangible assets was $45 million in the first nine months of 2019, as compared to $39 million in the first nine months of 2018, reflecting the acquisition of Xevo.

Interest expense was $69 million in the first nine months of 2019, as compared to $63 million in the first nine months of 2018, reflecting our 2019 financing transactions related to the acquisition of Xevo.

Other expense, net, which includes non-income related taxes, foreign exchange gains and losses, gains and losses related to certain derivative instruments and hedging activities, losses on the extinguishment of debt, gains and losses on the disposal of fixed assets, gains and losses on the consolidation and deconsolidation of affiliates, the non-service cost components of net periodic benefit cost and other miscellaneous income and expense, was expense of $28 million for the nine months ended September 28, 2019, as compared to $11 million for the nine months ended September 29, 2018. In the first nine months of 2019, we recognized a loss of $11 million related to the extinguishment of debt and a gain of $4 million related to the deconsolidation of an affiliate. In the first nine months of 2018, we recognized a gain of $10 million related to obtaining control of an affiliate.

For the nine months ended September 28, 2019, the provision for income taxes was $150 million, representing an effective tax rate of 18.3% on pretax income before equity in net income of affiliates of $821 million. For the nine months ended September 29, 2018, the provision for income taxes was $233 million, representing an effective tax rate of 19.1% on pretax income before equity in net income of affiliates of $1,220 million, for the reasons described below.

In the first nine months of 2019 and 2018, the provision for income taxes was primarily impacted by the level and mix of earnings among tax jurisdictions. In the first nine months of 2019, we recognized tax benefits of $29 million related to an increase in our research and development tax credits for the years 2013 through 2018, $18 million related to changes in the tax status of certain affiliates, $3 million related to share-based compensation and $36 million related to restructuring and various other items, offset by tax expense of $10 million related to the establishment of a valuation allowance on deferred tax assets of a foreign subsidiary. In addition, we recognized a gain of $4 million related to the deconsolidation of an affiliate, for which no tax expense was provided. In the first nine months of 2018, we recognized tax benefits of $36 million related to the reversal of valuation allowances on the deferred tax assets of certain foreign subsidiaries, $11 million related to share-based compensation, $9 million related to an adjustment to the 2017 provisional income tax expense, $7 million related to a tax rate change in a foreign subsidiary and $11 million related to restructuring charges and various other items, offset by tax expense of $22 million related to an increase in foreign withholding tax on certain undistributed foreign earnings. In addition, we recognized a gain of $10 million related to obtaining control of an affiliate, for which no tax expense was provided.

Excluding these items, the effective tax rate for the first nine months of 2019 and 2018 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 first nine months of 2019, as compared to $17 million in the first nine months of 2018.

Net income attributable to Lear was $628 million, or $10.23 per diluted share, for the nine months ended September 28, 2019, as compared to $938 million, or $13.80 per diluted share, for the nine months ended September 29, 2018. Net income and diluted net income per share decreased for the reasons described above. In addition, diluted net income per share was impacted by the decrease in average shares outstanding between periods.

Reportable Operating Segments

We have two reportable operating segments: Seating and E-Systems. For a description of our reportable operating segments, see "Executive Overview" and "Three Months Ended September 28, 2019 vs. Three Months Ended September 29, 2018 - Reportable Operating Segments" above.

Seating

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

	Nine Months Ended	
	September 28, 2019	**September 29, 2018**
Net sales	$ 11,468.1	$ 12,287.6
Segment earnings [1]	817.0	981.8
Margin	7.1%	8.0%

[1] See definition above

Seating net sales were $11.5 billion for the nine months ended September 28, 2019, as compared to $12.3 billion for the nine months ended September 29, 2018, a decrease of $820 million or 7%. Lower production volumes on Lear platforms and net foreign exchange rate fluctuations negatively impacted net sales by $1,005 million and $431 million, respectively. These decreases were partially offset by the impact of new business, which increased net sales by $600 million.

Segment earnings, including restructuring costs, and the related margin on net sales were $817 million and 7.1% for the nine months ended September 28, 2019, as compared to $982 million and 8.0% for the nine months ended September 29, 2018. Lower production volumes on Lear platforms and net foreign exchange rate fluctuations, partially offset by the impact of new business, negatively impacted segment earnings by $182 million. Favorable operating performance, including the benefit of operational restructuring actions, of $188 million was largely offset by the impact of selling price reductions and higher restructuring costs.

E-Systems

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

	Nine Months Ended	
	September 28, 2019	**September 29, 2018**
Net sales	$ 3,524.6	$ 3,918.5
Segment earnings [1]	287.3	504.3
Margin	8.2%	12.9%

[1] See definition above

E-Systems net sales were $3.5 billion for the nine months ended September 28, 2019, as compared to $3.9 billion for the nine months ended September 29, 2018, a decrease of $394 million or 10%. Lower production volumes on Lear platforms and net foreign exchange rate fluctuations negatively impacted net sales by $342 million and $174 million, respectively. These decreases were partially offset by the impact of new business, which increased net sales by $167 million.

Segment earnings, including restructuring costs, and the related margin on net sales were $287 million and 8.2% for the nine months ended September 28, 2019, as compared to $504 million and 12.9% for the nine months ended September 29, 2018. Lower production volumes on Lear platforms and net foreign exchange rate fluctuations, partially offset by the impact of new business, negatively impacted segment earnings by $100 million. Selling price reductions, partially offset by improved operating performance, also negatively impacted segment earnings.

Other

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

	Nine Months Ended	
	September 28, 2019	September 29, 2018
Net sales	$ —	$ —
Segment earnings [1]	(186.2)	(191.7)
Margin	N/A	N/A

[1] See definition above

Segment earnings related to our other category were ($186) million in the first nine months of 2019, as compared to ($192) million in the first nine months of 2018, reflecting lower compensation-related costs in 2019 and a favorable litigation settlement in 2018.

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. In addition, we expect to continue to pay quarterly dividends and repurchase shares of our common stock pursuant to our authorized common stock share repurchase program. Our principal sources of liquidity are cash flows from operating activities, borrowings under available credit facilities and our existing cash balance. A substantial portion of our operating income is generated by our subsidiaries. As a result, we are dependent on the earnings and cash flows of and the combination of dividends, royalties, intercompany loan repayments and other distributions and advances from our subsidiaries to provide the funds necessary to meet our obligations.

As of September 28, 2019 and December 31, 2018, cash and cash equivalents of $803 million and $1,094 million, respectively, were held in foreign subsidiaries and can be repatriated, primarily through the repayment of intercompany loans and the payment of dividends, without creating additional income tax expense. There are no significant restrictions on the ability of our subsidiaries to pay dividends or make other distributions to Lear. For further information related to potential dividends from our non-U.S. subsidiaries, see "— Adequacy of Liquidity Sources" below and Note 7, "Income Taxes," to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018.

Cash Flows

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

	Nine Months Ended		
	September 28, 2019	September 29, 2018	Increase (Decrease) in Operating Cash Flow
Consolidated net income and depreciation and amortization	$ 1,067	$ 1,366	$ (299)
Net change in working capital items:			
Accounts receivable	(513)	(173)	(340)
Inventory	(124)	(118)	(6)
Accounts payable	209	(33)	242
Accrued liabilities and other	266	(5)	271
Net change in working capital items	(162)	(329)	167
Other	(106)	(15)	(91)
Net cash provided by operating activities	$ 799	$ 1,022	$ (223)

In the first nine months of 2019 and 2018, net cash provided by operating activities was $799 million and $1,022 million, respectively. The overall decrease in operating cash flows of $223 million was primarily attributable to lower net income. The incremental increase in accounts receivable in the first nine months of 2019, as compared to the first nine months of 2018, was largely due to lower sales at the end of 2018, as compared to the end of 2017, as well as the timing of certain customer payments. The resulting decrease in operating cash flows between periods was more than offset by increases in accounts payable and certain accrued liabilities in the first nine months of 2019.

Net cash used in investing activities was $739 million in the first nine months of 2019, as compared to $511 million in the first nine months of 2018. In first nine months of 2019, we paid $322 million for the acquisition of Xevo. Capital spending was $410 million in the first nine months of 2019, as compared to $493 million in the first nine months of 2018. Capital spending in 2019 is estimated at $625 million.

Net cash used in financing activities was $237 million in the first nine months of 2019, as compared to $753 million in the first nine months of 2018. In 2019, we received net proceeds of $693 million related to the issuance of the 2029 and 2049 Notes and paid $7 million of related issuance costs and $334 million related to the redemption of the outstanding 2024 Notes. Also in 2019, we paid $360 million for repurchases of our common stock, $141 million of dividends to Lear stockholders and $34 million of dividends to noncontrolling interest holders. In 2018, we paid $488 million for repurchases of our common stock, $142 million of dividends to Lear stockholders and $64 million of dividends to noncontrolling interest holders.

Capitalization

From time to time, we utilize uncommitted credit facilities to fund our capital expenditures and working capital requirements at certain of our foreign subsidiaries, in addition to cash provided by operating activities. The availability of uncommitted lines of credit may be affected by our financial performance, credit ratings and other factors. As of September 28, 2019 and December 31, 2018, our short-term borrowings outstanding were $19 million and $10 million, respectively.

Senior Notes

As of September 28, 2019, our senior notes (collectively, the "Notes") consisted of the amounts shown below (in millions, except stated coupon rates):

Note	Aggregate Principal Amount at Maturity	Stated Coupon Rate
Senior unsecured notes due 2025 (the "2025 Notes")	$ 650	5.25%
Senior unsecured notes due 2027 (the "2027 Notes")	750	3.80%
2029 Notes	375	4.25%
2049 Notes	325	5.25%
	$ 2,100	

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

Note	Issuance Date	Maturity Date	Interest Payment Dates
2025 Notes	November 2014	January 15, 2025	January 15 and July 15
2027 Notes	August 2017	September 15, 2027	March 15 and September 15
2029 Notes	May 2019	May 15, 2029	May 15 and November 15
2049 Notes	May 2019	May 15, 2049	May 15 and November 15

In May 2019, we issued $375 million in aggregate principal amount at maturity of 2029 Notes and $325 million in aggregate principal amount at maturity of 2049 Notes. The 2029 Notes have a stated coupon rate of 4.25% and were priced at 99.691% of par, resulting in a yield to maturity of 4.288%. The 2049 Notes have a stated coupon rate of 5.25% and were priced at 98.32% of par, resulting in a yield to maturity of 5.363%.

The net proceeds from the offering were $693 million after original issue discount. The proceeds were used to redeem the $325 million in aggregate principal amount of the 2024 Notes at a redemption price equal to 102.688% of the principal amount of such 2024 Notes, plus accrued interest, as well as to finance the acquisition of Xevo and for general corporate purposes. In connection with these transactions, we recognized a loss of $11 million on the extinguishment of debt in the nine months ended September 28, 2019, and paid related issuance costs of $7 million.

For further information related to the Notes, including information on early redemption, covenants and events of default, see Note 9, "Debt," to the condensed consolidated financial statements included in this Report and Note 6, "Debt," to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018.

Credit Agreement

Our Credit Agreement, dated August 8, 2017, consists of a $1.75 billion Revolving Credit Facility and a $250 million Term Loan Facility. The maturity date of the Revolving Credit Facility is August 8, 2023, and the maturity date of the Term Loan Facility is August 8, 2022.

As of September 28, 2019 and December 31, 2018, there were no borrowings outstanding under the Revolving Credit Facility and $239 million and $242 million, respectively, of borrowings outstanding under the Term Loan Facility. During the first nine months of 2019, we made required principal payments of $3 million under the Term Loan Facility.

For further information related to the Credit Agreement, including information on pricing, covenants and events of default, see Note 9, "Debt," to the condensed consolidated financial statements included in this Report and Note 6, "Debt," to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018.

Scheduled Interest Payment and Covenants

Scheduled cash interest payments on the Notes and the Term Loan Facility are $20 million for the remaining three months of 2019.

As of September 28, 2019, we were in compliance with all covenants under the Credit Agreement and the indentures governing the Notes.

Common Stock Share Repurchase Program

On February 7, 2019, our Board of Directors authorized an increase to our existing common stock share repurchase program authorization to $1.5 billion and extended the term of the program to December 31, 2021.

Our share repurchases in the first nine months of 2019 are shown below (in millions except for shares and per share amounts):

Nine Months Ended September 28, 2019				As of September 28, 2019
Aggregate Repurchases [1]	Cash paid for Repurchases	Number of Shares	Average Price per Share [2]	Remaining Purchase Authorization
$ 355	$ 360	2,603,881	$ 136.48	$ 1,228

[1] Includes $83 million of repurchases made prior to the increased authorization
[2] Excludes commissions

Since the first quarter of 2011, our Board of Directors has authorized $5.8 billion in share repurchases under our common stock share repurchase program. As of the end of the third quarter of 2019, we have repurchased, in aggregate, $4.6 billion of our outstanding common stock, at an average price of $89.72 per share, excluding commissions and related fees.

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

For further information related to our common stock share repurchase program, see Note 16, "Comprehensive Income and Equity," to the condensed consolidated financial statements included in this Report.

Dividends

The quarterly cash dividend declared in the first three quarters of 2019 reflects a 7% increase over the quarterly cash dividend declared in the first three quarters of 2018. A summary of the 2019 dividends is shown below:

Payment Date	Dividend Per Share	Declaration Date	Record Date
March 20, 2019	$ 0.75	February 7, 2019	March 1, 2019
June 26, 2019	$ 0.75	May 16, 2019	June 7, 2019
September 17, 2019	$ 0.75	August 7, 2019	August 29, 2019

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

Adequacy of Liquidity Sources

As of September 28, 2019, we had $1.3 billion of cash and cash equivalents on hand and $1.75 billion in available borrowing capacity under our Revolving Credit Facility. Together with cash provided by operating activities, we believe that this will enable us to meet our liquidity needs to satisfy ordinary course business obligations. In addition, we expect to continue to pay quarterly dividends and repurchase shares of our common stock pursuant to our authorized common stock share repurchase program (see "— Common Stock Share Repurchase Program," above). Our future financial results and our ability to continue to meet our liquidity needs are subject to, and will be affected by, cash flows from operations, including the impact of restructuring activities, automotive industry conditions, the financial condition of our customers and suppliers and other related factors. Additionally, an economic downturn or 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, 2018.

Market Risk Sensitivity

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

Foreign Exchange

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

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

	September 28, 2019	December 31, 2018
Notional amount (contract maturities < 24 months)	$ 2,381	$ 2,153
Fair value	23	14

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

		Potential Earnings Benefit (Adverse Earnings Impact)	
	Hypothetical Strengthening % [(1)]	September 28, 2019	December 31, 2018
U.S. dollar	10%	$ (16)	$ (19)
Euro	10%	19	20

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

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

		Estimated Change in Fair Value	
	Hypothetical Change % [(2)]	September 28, 2019	December 31, 2018
U.S. dollar	10%	$ 51	$ 37
Euro	10%	56	72

(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 2018, net sales outside of the United States accounted for 82% of our consolidated net sales, although certain non-U.S. sales are U.S. dollar denominated. We do not enter into foreign exchange contracts to mitigate our translational exposure.

Commodity Prices

Raw material, energy and commodity costs can be volatile, reflecting changes in supply and demand and global trade and tariff policies. We have developed and implemented strategies to mitigate the impact of higher raw material, energy and commodity costs, such as the selective in-sourcing of components, the continued consolidation of our supply base, longer-term purchase commitments and the selective expansion of low-cost country sourcing and engineering, as well as value engineering and product benchmarking. However, these strategies, together with commercial negotiations with our customers and suppliers, typically offset only a portion of the adverse impact. Certain of these strategies also may limit our opportunities in a declining commodity cost environment. If these costs increase, it could have an adverse impact on our operating results in the foreseeable future. See "— Forward-Looking Statements" below and Item 1A, "Risk Factors — Increases in the costs and restrictions on the availability of raw materials, energy, commodities and product components could adversely affect our financial performance," in our Annual Report on Form 10-K for the year ended December 31, 2018.

We have commodity price risk with respect to purchases of certain raw materials, including steel, copper, diesel fuel, chemicals, resins and leather. Our main cost exposures relate to steel, copper and leather. The majority of the steel used in our products is comprised of fabricated components that are integrated into a seat system, such as seat frames, recliner mechanisms, seat tracks and other mechanical components. Therefore, our exposure to changes in steel prices is primarily indirect, through these purchased components. Approximately 90% of our copper purchases and a significant portion of our leather purchases are subject to price index agreements with our customers.

For further information related to the financial instruments described above, see Note 19, "Financial Instruments," to the condensed consolidated financial statements included in this Report.

OTHER MATTERS

Legal and Environmental Matters

We are involved from time to time in various legal proceedings and claims, including, without limitation, commercial and contractual disputes, product liability claims and environmental and other matters. As of September 28, 2019, we had recorded reserves for pending legal disputes, including commercial disputes and other matters, of $14 million. In addition, as of September 28, 2019, we had recorded reserves for product liability claims and environmental matters of $30 million and $9 million, respectively. Although these reserves were determined in accordance with GAAP, the ultimate outcomes of these matters are inherently uncertain, and actual results may differ significantly from current estimates. For a description of risks related to various legal proceedings and claims, see Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2018. 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. As a result, actual results in these areas may differ significantly from our estimates. For a discussion of our significant accounting policies and critical accounting estimates, see Item 7, "Management’s Discussion and Analysis of Financial Condition and Results of Operations — Significant Accounting Policies and Critical Accounting Estimates," and Note 2, "Summary of Significant Accounting Policies," to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018. There have been no significant changes in our significant accounting policies or critical accounting estimates during the third quarter of 2019, with the exception of leases. See Note 10, "Leases," to the condensed consolidated financial statements included in this Report.

Recently Issued Accounting Pronouncements

For information on the impact of recently issued accounting pronouncements, see Note 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;
- changes in actual industry vehicle production levels from our current estimates;
- fluctuations in the production of vehicles or the loss of business with respect to, or the lack of commercial success of, a vehicle model for which we are a significant supplier;
- the outcome of customer negotiations and the impact of customer-imposed price reductions;
- the cost and availability of raw materials, energy, commodities and product components and our ability to mitigate such costs;
- disruptions in relationships with our suppliers;
- the financial condition of and adverse developments affecting our customers and suppliers;

- risks associated with conducting business in foreign countries;
- currency controls and the ability to economically hedge currencies;
- global sovereign fiscal matters and creditworthiness, including potential defaults and the related impacts on economic activity, including the possible effects on credit markets, currency values, monetary unions, international treaties and fiscal policies;
- the operational and financial success of our joint ventures;
- 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 impact and timing of program launch costs and our management of new program launches;
- limitations imposed by our existing indebtedness and our ability to access capital markets on commercially reasonable terms;
- changes in discount rates and the actual return on pension assets;
- impairment charges initiated by adverse industry or market developments;
- our ability to execute our strategic objectives;
- disruptions to our information technology, including those related to cybersecurity;
- increases in our warranty, product liability or recall costs;
- the outcome of legal or regulatory proceedings to which we are or may become a party;
- the impact of pending legislation and regulations or changes in existing federal, state, local or foreign laws or regulations;
- the impact of regulations on our foreign operations;
- costs associated with compliance with environmental laws and regulations;
- developments or assertions by or against us relating to intellectual property rights;
- the impact of potential changes in tax and trade policies in the United States and related actions by countries in which we do business;
- the anticipated changes in economic and other relationships between the United Kingdom and the European Union; and
- other risks described in Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2018, and our other Securities and Exchange Commission ("SEC") filings.

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

ITEM 4 — CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

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

(b) Changes in Internal Control over Financial Reporting

There was no change in the Company’s internal control over financial reporting that occurred during the fiscal quarter ended September 28, 2019, that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

In April 2019, the Company completed the acquisition of Xevo Inc. ("Xevo") and is currently integrating Xevo into its operations, compliance programs and internal control processes. Xevo constituted approximately 3% of the Company's total assets as of September 28, 2019, including the goodwill and intangible assets recorded as part of the purchase price allocation, and less than 1% of the Company's net sales in the three months ended September 28, 2019. SEC guidance allows 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 has excluded the acquired operations of Xevo from its assessment of the Company's internal controls over financial reporting.

PART II — OTHER INFORMATION

ITEM 1 — LEGAL PROCEEDINGS

We are involved from time to time in various legal proceedings and claims, including, without limitation, commercial or contractual disputes, product liability claims and environmental and other matters. For a description of risks related to various legal proceedings and claims, see Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2018. 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, 2018.

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

As discussed in Part I — Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Capitalization — Common Stock Share Repurchase Program," and Note 16, "Comprehensive Income and Equity," to the condensed consolidated financial statements included in this Report, we have a remaining repurchase authorization of $1,227.6 million under our ongoing common stock share repurchase program. A summary of the shares of our common stock repurchased during the quarter ended September 28, 2019, 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)
June 30, 2019 through July 27, 2019	227,293	$133.13	227,293	$ 1,273.3
July 28, 2019 through August 24, 2019	211,100	$116.84	211,100	1,248.6
August 25, 2019 through September 28, 2019	178,242	$117.57	178,242	1,227.6
Total	616,635	$123.06	616,635	$ 1,227.6

LEAR CORPORATION

ITEM 6 — EXHIBITS

Exhibit Index

	Exhibit Number		Exhibit Name
	10.1	****	Employment Agreement, dated August 8, 2019, between Lear Corporation and Carl A. Esposito (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 14, 2019).
	10.2	****	Employment Agreement, dated September 27, 2019, between Lear Corporation and Jason M. Cardew (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 1, 2019).
	10.3	****	Amended and Restated Employment Agreement, dated September 30, 2019, between Lear Corporation and Jeffrey H. Vanneste (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on October 1, 2019).
*	31.1		Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer.
*	31.2		Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer.
*	32.1		Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*	32.2		Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**	101.INS		XBRL Instance Document
***	101.SCH		XBRL Taxonomy Extension Schema Document.
***	101.CAL		XBRL Taxonomy Extension Calculation Linkbase Document.
***	101.LAB		XBRL Taxonomy Extension Label Linkbase Document.
***	101.PRE		XBRL Taxonomy Extension Presentation Linkbase Document.
***	101.DEF		XBRL Taxonomy Extension Definition Linkbase Document.
**	104		Cover Page Interactive Data File

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

LEAR CORPORATION

SIGNATURES

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

LEAR CORPORATION

Dated:	October 25, 2019	By:	/s/ Raymond E. Scott
			Raymond E. Scott
			President and Chief Executive Officer
		By:	/s/ Jeffrey H. Vanneste
			Jeffrey H. Vanneste
			Senior Vice President and Chief Financial Officer

Exhibit 31.1

CERTIFICATION

I, Raymond E. Scott, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date:	October 25, 2019	By:	/s/ Raymond E. Scott
			Raymond E. Scott
			President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Jeffrey H. Vanneste, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date:	October 25, 2019	By:	/s/ Jeffrey H. Vanneste
			Jeffrey H. Vanneste
			Senior Vice President and Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Lear Corporation (the "Company") on Form 10-Q for the period ended September 28, 2019, as filed with the Securities and Exchange Commission (the "Report"), the undersigned, as the Chief Executive Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

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

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

Date:	October 25, 2019	Signed:	/s/ Raymond E. Scott
			Raymond E. Scott
			Chief Executive Officer

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

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

Exhibit 32.2

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

In connection with the Quarterly Report of Lear Corporation (the "Company") on Form 10-Q for the period ended September 28, 2019, as filed with the Securities and Exchange Commission (the "Report"), the undersigned, as the Chief Financial Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

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

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

Date:	October 25, 2019	Signed:	/s/ Jeffrey H. Vanneste
			Jeffrey H. Vanneste
			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.