

**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 **June 29, 2024**.

**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



(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**13-3386776**  
(I.R.S. Employer  
Identification No.)

**21557 Telegraph Road, Southfield, MI 48033**

(Address of principal executive offices)

**(248) 447-1500**

(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
<b>Common stock, par value \$0.01</b>	<b>LEA</b>	<b>New York Stock Exchange</b>

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of July 22, 2024, the number of shares outstanding of the registrant's common stock was 56,256,685 shares.

**LEAR CORPORATION**  
**FORM 10-Q**  
**FOR THE QUARTER ENDED JUNE 29, 2024**

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**LEAR CORPORATION AND SUBSIDIARIES**

**PART I — FINANCIAL INFORMATION**

**ITEM 1 — CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**INTRODUCTION TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

We have prepared the unaudited condensed consolidated financial statements of Lear Corporation and subsidiaries pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") have been condensed or omitted pursuant to such rules and regulations. We believe that the disclosures are adequate to make the information presented not misleading when read in conjunction with the financial statements and the notes thereto included in our Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, for the year ended December 31, 2023.

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)

	June 29, 2024 <sup>(1)</sup>	December 31, 2023
<b>ASSETS</b>		
<i>CURRENT ASSETS:</i>		
Cash and cash equivalents	\$ 950.3	\$ 1,196.3
Accounts receivable	4,158.8	3,681.2
Inventories	1,702.4	1,758.0
Other	969.3	1,001.4
Total current assets	<u>7,780.8</u>	<u>7,636.9</u>
<i>LONG-TERM ASSETS:</i>		
Property, plant and equipment, net	2,864.7	2,977.4
Goodwill	1,720.4	1,737.9
Other	2,316.0	2,343.3
Total long-term assets	<u>6,901.1</u>	<u>7,058.6</u>
Total assets	<u>\$ 14,681.9</u>	<u>\$ 14,695.5</u>
<b>LIABILITIES AND EQUITY</b>		
<i>CURRENT LIABILITIES:</i>		
Short-term borrowings	\$ 26.8	\$ 27.5
Accounts payable and drafts	3,552.2	3,434.2
Accrued liabilities	2,238.5	2,205.2
Current portion of long-term debt	0.3	0.3
Total current liabilities	<u>5,817.8</u>	<u>5,667.2</u>
<i>LONG-TERM LIABILITIES:</i>		
Long-term debt	2,743.5	2,742.6
Other	1,206.6	1,225.1
Total long-term liabilities	<u>3,950.1</u>	<u>3,967.7</u>
<i>EQUITY:</i>		
Preferred stock, 100,000,000 shares authorized (including 10,896,250 Series A convertible preferred stock authorized); no shares outstanding	—	—
Common stock, \$0.01 par value, 300,000,000 shares authorized; 64,571,405 shares issued as of June 29, 2024 and December 31, 2023	0.6	0.6
Additional paid-in capital	1,052.6	1,050.5
Common stock held in treasury, 8,141,134 and 7,592,473 shares as of June 29, 2024 and December 31, 2023, respectively, at cost	(1,115.2)	(1,044.6)
Retained earnings	5,793.2	5,601.1
Accumulated other comprehensive loss	(929.4)	(688.8)
Lear Corporation stockholders' equity	<u>4,801.8</u>	<u>4,918.8</u>
Noncontrolling interests	112.2	141.8
Equity	<u>4,914.0</u>	<u>5,060.6</u>
Total liabilities and equity	<u>\$ 14,681.9</u>	<u>\$ 14,695.5</u>

<sup>(1)</sup> Unaudited

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

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

	Three Months Ended		Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Net sales	\$ 6,012.4	\$ 5,999.2	\$ 12,007.0	\$ 11,844.7
Cost of sales	5,563.6	5,542.2	11,160.1	10,957.7
Selling, general and administrative expenses	175.3	182.8	361.8	359.6
Amortization of intangible assets	12.7	16.0	27.8	31.9
Interest expense, net	26.9	26.2	53.0	50.4
Other expense, net	7.4	19.5	20.9	33.2
Consolidated income before provision for income taxes and equity in net income of affiliates	226.5	212.5	383.4	411.9
Provision for income taxes	46.2	41.5	86.7	87.1
Equity in net income of affiliates	(14.1)	(16.2)	(24.6)	(25.8)
Consolidated net income	194.4	187.2	321.3	350.6
Less: Net income attributable to noncontrolling interests	21.3	18.5	38.6	38.3
<b>Net income attributable to Lear</b>	<b>\$ 173.1</b>	<b>\$ 168.7</b>	<b>\$ 282.7</b>	<b>\$ 312.3</b>
<b>Basic net income per share attributable to Lear (Note 14)</b>	<b>\$ 3.04</b>	<b>\$ 2.85</b>	<b>\$ 4.95</b>	<b>\$ 5.27</b>
<b>Diluted net income per share attributable to Lear (Note 14)</b>	<b>\$ 3.02</b>	<b>\$ 2.84</b>	<b>\$ 4.92</b>	<b>\$ 5.25</b>
<b>Cash dividends declared per share</b>	<b>\$ 0.77</b>	<b>\$ 0.77</b>	<b>\$ 1.54</b>	<b>\$ 1.54</b>
<b>Average common shares outstanding</b>	<b>56,926,745</b>	<b>59,133,427</b>	<b>57,088,459</b>	<b>59,224,991</b>
<b>Average diluted shares outstanding</b>	<b>57,234,459</b>	<b>59,366,167</b>	<b>57,401,172</b>	<b>59,462,566</b>
Consolidated comprehensive income (Condensed Consolidated Statements of Equity)	\$ 19.2	\$ 204.1	\$ 77.7	\$ 468.2
Less: Comprehensive income attributable to noncontrolling interests	20.5	12.3	35.6	32.5
Comprehensive income (loss) attributable to Lear	\$ (1.3)	\$ 191.8	\$ 42.1	\$ 435.7

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

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

	Three Months Ended June 29, 2024					
	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 March 30, 2024	\$ 0.6	\$ 1,039.2	\$ (1,056.7)	\$ 5,664.8	\$ (755.0)	\$ 4,892.9
Comprehensive income (loss):						
Net income	—	—	—	173.1	—	173.1
Other comprehensive loss	—	—	—	—	(174.4)	(174.4)
Total comprehensive income (loss)	—	—	—	173.1	(174.4)	(1.3)
Stock-based compensation	—	16.0	—	—	—	16.0
Net issuance of 15,963 shares held in treasury in settlement of stock-based compensation	—	(2.6)	2.2	—	—	(0.4)
Repurchase of 477,932 shares of common stock at average price of \$125.70 per share	—	—	(60.7)	—	—	(60.7)
Dividends declared to Lear Corporation stockholders	—	—	—	(44.7)	—	(44.7)
Dividends declared to noncontrolling interest holders	—	—	—	—	—	—
Balance at June 29, 2024	<u>\$ 0.6</u>	<u>\$ 1,052.6</u>	<u>\$ (1,115.2)</u>	<u>\$ 5,793.2</u>	<u>\$ (929.4)</u>	<u>\$ 4,801.8</u>
	Six Months Ended June 29, 2024					
	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, 2024	\$ 0.6	\$ 1,050.5	\$ (1,044.6)	\$ 5,601.1	\$ (688.8)	\$ 4,918.8
Comprehensive income (loss):						
Net income	—	—	—	282.7	—	282.7
Other comprehensive loss	—	—	—	—	(240.6)	(240.6)
Total comprehensive income (loss)	—	—	—	282.7	(240.6)	42.1
Stock-based compensation	—	34.6	—	—	—	34.6
Net issuance of 145,045 shares held in treasury in settlement of stock-based compensation	—	(32.5)	20.3	(1.0)	—	(13.2)
Repurchase of 693,706 shares of common stock at average price of \$129.99 per share	—	—	(90.9)	—	—	(90.9)
Dividends declared to Lear Corporation stockholders	—	—	—	(89.6)	—	(89.6)
Dividends declared to noncontrolling interest holders	—	—	—	—	—	—
Balance at June 29, 2024	<u>\$ 0.6</u>	<u>\$ 1,052.6</u>	<u>\$ (1,115.2)</u>	<u>\$ 5,793.2</u>	<u>\$ (929.4)</u>	<u>\$ 4,801.8</u>

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 June 29, 2024		
	Lear Corporation Stockholders' Equity	Non-controlling Interests	Equity
Balance at March 30, 2024	\$ 4,892.9	\$ 93.3	\$ 4,986.2
Comprehensive income (loss):			
Net income	173.1	21.3	194.4
Other comprehensive loss	(174.4)	(0.8)	(175.2)
Total comprehensive income (loss)	(1.3)	20.5	19.2
Stock-based compensation	16.0	—	16.0
Net issuance of 15,963 shares held in treasury in settlement of stock-based compensation	(0.4)	—	(0.4)
Repurchase of 477,932 shares of common stock at average price of \$125.70 per share	(60.7)	—	(60.7)
Dividends declared to Lear Corporation stockholders	(44.7)	—	(44.7)
Dividends declared to noncontrolling interest holders	—	(1.6)	(1.6)
Balance at June 29, 2024	<u>\$ 4,801.8</u>	<u>\$ 112.2</u>	<u>\$ 4,914.0</u>

	Six Months Ended June 29, 2024		
	Lear Corporation Stockholders' Equity	Non-controlling Interests	Equity
Balance at January 1, 2024	\$ 4,918.8	\$ 141.8	\$ 5,060.6
Comprehensive income (loss):			
Net income	282.7	38.6	321.3
Other comprehensive loss	(240.6)	(3.0)	(243.6)
Total comprehensive income (loss)	42.1	35.6	77.7
Stock-based compensation	34.6	—	34.6
Net issuance of 145,045 shares held in treasury in settlement of stock-based compensation	(13.2)	—	(13.2)
Repurchase of 693,706 shares of common stock at average price of \$129.99 per share	(90.9)	—	(90.9)
Dividends declared to Lear Corporation stockholders	(89.6)	—	(89.6)
Dividends declared to noncontrolling interest holders	—	(65.2)	(65.2)
Balance at June 29, 2024	<u>\$ 4,801.8</u>	<u>\$ 112.2</u>	<u>\$ 4,914.0</u>

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

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

	Three Months Ended July 1, 2023					
	Common Stock	Additional Paid-In Capital	Common Stock Held in Treasury	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Lear Corporation Stockholders' Equity
Balance at April 1, 2023	\$ 0.6	\$ 1,013.4	\$ (761.5)	\$ 5,310.0	\$ (704.8)	\$ 4,857.7
Comprehensive income:						
Net income	—	—	—	168.7	—	168.7
Other comprehensive income (loss)	—	—	—	—	23.1	23.1
Total comprehensive income	—	—	—	168.7	23.1	191.8
Stock-based compensation	—	16.2	—	—	—	16.2
Net issuance of 15,172 shares held in treasury in settlement of stock-based compensation	—	(2.5)	2.1	(0.1)	—	(0.5)
Repurchase of 286,630 shares of common stock at average price of \$132.58 per share	—	—	(38.4)	—	—	(38.4)
Dividends declared to Lear Corporation stockholders	—	—	—	(46.3)	—	(46.3)
Dividends declared to noncontrolling interest holders	—	—	—	—	—	—
Balance at July 1, 2023	<u>\$ 0.6</u>	<u>\$ 1,027.1</u>	<u>\$ (797.8)</u>	<u>\$ 5,432.3</u>	<u>\$ (681.7)</u>	<u>\$ 4,980.5</u>
	Six Months Ended July 1, 2023					
	Common Stock	Additional Paid-In Capital	Common Stock Held in Treasury	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Lear Corporation Stockholders' Equity
Balance at January 1, 2023	\$ 0.6	\$ 1,023.1	\$ (753.9)	\$ 5,214.1	\$ (805.1)	\$ 4,678.8
Comprehensive income:						
Net income	—	—	—	312.3	—	312.3
Other comprehensive income (loss)	—	—	—	—	123.4	123.4
Total comprehensive income	—	—	—	312.3	123.4	435.7
Stock-based compensation	—	35.1	—	—	—	35.1
Net issuance of 140,838 shares held in treasury in settlement of stock-based compensation	—	(31.1)	19.6	(1.1)	—	(12.6)
Repurchase of 469,532 shares of common stock at average price of \$134.39 per share	—	—	(63.5)	—	—	(63.5)
Dividends declared to Lear Corporation stockholders	—	—	—	(93.0)	—	(93.0)
Dividends declared to noncontrolling interest holders	—	—	—	—	—	—
Balance at July 1, 2023	<u>\$ 0.6</u>	<u>\$ 1,027.1</u>	<u>\$ (797.8)</u>	<u>\$ 5,432.3</u>	<u>\$ (681.7)</u>	<u>\$ 4,980.5</u>

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



## LEAR CORPORATION AND SUBSIDIARIES

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

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

	Six Months Ended July 1, 2023		
	Lear Corporation Stockholders' Equity	Non-controlling Interests	Equity
Balance at January 1, 2023	\$ 4,678.8	\$ 151.5	\$ 4,830.3
Comprehensive income:			
Net income	312.3	38.3	350.6
Other comprehensive income (loss)	123.4	(5.8)	117.6
Total comprehensive income	435.7	32.5	468.2
Stock-based compensation	35.1	—	35.1
Net issuance of 140,838 shares held in treasury in settlement of stock-based compensation	(12.6)	—	(12.6)
Repurchase of 469,532 shares of common stock at average price of \$134.39 per share	(63.5)	—	(63.5)
Dividends declared to Lear Corporation stockholders	(93.0)	—	(93.0)
Dividends declared to noncontrolling interest holders	—	(73.2)	(73.2)
Balance at July 1, 2023	\$ 4,980.5	\$ 110.8	\$ 5,091.3

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

## LEAR CORPORATION AND SUBSIDIARIES

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

	Six Months Ended	
	June 29, 2024	July 1, 2023
<b>Cash Flows from Operating Activities:</b>		
Consolidated net income	\$ 321.3	\$ 350.6
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	309.2	298.4
Net change in recoverable customer engineering, development and tooling	(42.8)	(49.7)
Net change in working capital items (see below)	(364.9)	(328.1)
Other, net	33.8	4.6
Net cash provided by operating activities	256.6	275.8
<b>Cash Flows from Investing Activities:</b>		
Additions to property, plant and equipment	(234.4)	(280.1)
Acquisition, net of cash acquired	(0.8)	(174.5)
Other, net	5.3	4.7
Net cash used in investing activities	(229.9)	(449.9)
<b>Cash Flows from Financing Activities:</b>		
Repurchases of common stock	(106.8)	(53.3)
Dividends paid to Lear Corporation stockholders	(89.1)	(92.1)
Dividends paid to noncontrolling interests	(39.8)	(46.2)
Short-term borrowings, net	—	17.6
Term loan borrowings	—	150.0
Other, net	(15.3)	(23.9)
Net cash used in financing activities	(251.0)	(47.9)
Effect of foreign currency translation	(20.6)	9.9
<b>Net Change in Cash, Cash Equivalents and Restricted Cash</b>	<b>(244.9)</b>	<b>(212.1)</b>
<b>Cash, Cash Equivalents and Restricted Cash as of Beginning of Period</b>	<b>1,198.5</b>	<b>1,117.4</b>
<b>Cash, Cash Equivalents and Restricted Cash as of End of Period</b>	<b>\$ 953.6</b>	<b>\$ 905.3</b>
<b>Changes in Working Capital Items:</b>		
Accounts receivable	\$ (556.0)	\$ (774.9)
Inventories	20.7	(74.4)
Accounts payable (including \$15.4 million of cash paid in 2023 in conjunction with the acquisition of I.G. Bauerhin to settle pre-existing accounts payable)	186.6	409.6
Accrued liabilities and other	(16.2)	111.6
Net change in working capital items	\$ (364.9)	\$ (328.1)
<b>Supplementary Disclosure:</b>		
Cash paid for interest	\$ 57.9	\$ 54.9
Cash paid for income taxes, net of refunds received	\$ 153.4	\$ 110.3

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, develop, engineer and manufacture complete seat systems, key seat components, complete electrical distribution and connection systems, high- and low-voltage power distribution products, electronic controllers and other electronic products. The Company's main customers are automotive original equipment manufacturers. The Company operates facilities worldwide.

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

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

**(2) Acquisition**

On April 26, 2023, the Company completed the acquisition of I.G. Bauherin ("IGB"), a privately held supplier of automotive seat heating, ventilation and active cooling, steering wheel heating, seat sensors and electronic control modules, headquartered in Grundau-Rothenbergen, Germany. IGB has more than 4,600 employees at nine manufacturing plants in seven countries with annual sales of approximately \$290 million. The acquisition of IGB furthers the Company's comprehensive strategy to develop and integrate a complete portfolio of thermal comfort systems for automotive seating.

The acquisition of IGB was accounted for as a business combination, and accordingly, the assets acquired and liabilities assumed are included in the accompanying condensed consolidated balance sheets as of June 29, 2024 and December 31, 2023. The operating results and cash flows of IGB are included in the accompanying condensed consolidated financial statements from the date of acquisition in the Company's Seating segment.

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

	December 31, 2023	Adjustments	June 29, 2024
Purchase price, net of acquired cash	\$ 174.5	\$ 0.8	\$ 175.3
Property, plant and equipment	47.5	(0.7)	46.8
Other assets purchased and liabilities assumed, net	38.1	(1.8)	36.3
Goodwill	73.5	3.3	76.8
Intangible assets	15.4	—	15.4
Purchase price allocation	\$ 174.5	\$ 0.8	\$ 175.3

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

**(3) Restructuring**

Restructuring costs include employee termination benefits, asset impairment charges and contract termination costs, as well as other incremental net costs resulting from the restructuring actions. Employee termination benefits are recorded based on existing union and employee contracts, statutory requirements, completed negotiations and Company policy. Other incremental net costs principally include equipment and personnel relocation costs. In addition to restructuring costs, the Company also 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, communicated and/or implemented.

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

Balance at January 1, 2024	\$	121.6
Provision for employee termination benefits		75.3
Payments, utilizations and foreign currency		(70.2)
Balance at June 29, 2024	\$	<u>126.7</u>

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

	Six Months Ended	
	June 29, 2024	July 1, 2023
Employee termination benefits	\$ 75.3	\$ 33.0
Asset impairments:		
Property, plant and equipment	1.5	0.1
Right-of-use assets	—	9.6
Contract termination costs	2.1	1.3
Other related costs	4.8	4.1
	<u>\$ 83.7</u>	<u>\$ 48.1</u>

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

	Six Months Ended	
	June 29, 2024	July 1, 2023
Cost of sales	\$ 75.7	\$ 41.2
Selling, general and administrative expenses	9.6	6.9
Other expense, net	(1.6)	—
	<u>\$ 83.7</u>	<u>\$ 48.1</u>

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

	Three Months Ended		Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Seating	\$ 19.3	\$ 24.9	\$ 62.7	\$ 36.9
E-Systems	10.0	7.7	18.4	10.0
Other	0.8	0.9	2.6	1.2
	<u>\$ 30.1</u>	<u>\$ 33.5</u>	<u>\$ 83.7</u>	<u>\$ 48.1</u>

The Company expects to incur approximately \$42 million and approximately \$15 million of additional restructuring costs in its Seating and E-Systems segments, respectively, related to activities initiated as of June 29, 2024, and expects that the components of such costs will be consistent with its historical experience.

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

**(4) Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is determined using standard costing, which approximates actual cost on a first-in, first-out method. Finished goods and work-in-process inventories include material, labor and manufacturing overhead costs. The Company records reserves for inventory in excess of production and/or forecasted requirements and for obsolete inventory in production and service inventories.

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

	June 29, 2024	December 31, 2023
Raw materials	\$ 1,286.4	\$ 1,260.7
Work-in-process	142.1	141.0
Finished goods	479.6	540.8
Reserves	(205.7)	(184.5)
<b>Inventories</b>	<b>\$ 1,702.4</b>	<b>\$ 1,758.0</b>

**(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 six months of 2024 and 2023, the Company capitalized \$115.4 million and \$115.7 million, respectively, of pre-production E&D costs for which reimbursement is contractually guaranteed by the customer. During the first six months of 2024 and 2023, the Company also capitalized \$78.3 million and \$80.0 million, respectively, of pre-production tooling costs related to customer-owned tools for which reimbursement is contractually guaranteed by the customer or for which the Company has a non-cancelable right to use the tooling. These amounts are included in other current and long-term assets in the accompanying condensed consolidated balance sheets.

During the first six months of 2024 and 2023, the Company collected \$148.3 million and \$151.0 million, respectively, of cash related to E&D and tooling costs.

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

	June 29, 2024	December 31, 2023
Current	\$ 260.4	\$ 220.2
Long-term	160.3	164.3
<b>Recoverable customer E&amp;D and tooling</b>	<b>\$ 420.7</b>	<b>\$ 384.5</b>

**(6) Long-Lived Assets***Property, Plant and Equipment*

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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

	June 29, 2024	December 31, 2023
Land	\$ 103.7	\$ 105.6
Buildings and improvements	913.4	919.4
Machinery and equipment	5,439.9	5,324.4
Construction in progress	335.3	408.7
Total property, plant and equipment	6,792.3	6,758.1
Less – accumulated depreciation	(3,927.6)	(3,780.7)
Property, plant and equipment, net	<u>\$ 2,864.7</u>	<u>\$ 2,977.4</u>

Depreciation expense was \$141.2 million and \$135.2 million in the three months ended June 29, 2024 and July 1, 2023, respectively, and \$281.4 million and \$266.5 million in the six months ended June 29, 2024 and July 1, 2023, respectively.

The Company monitors its long-lived assets for impairment indicators on an ongoing basis in accordance with GAAP. If impairment indicators exist, the Company performs the required impairment analysis by comparing the undiscounted cash flows expected to be generated from the long-lived assets to the related net book values. If the net book value exceeds the undiscounted cash flows, an impairment loss is measured and recognized. An impairment loss is measured as the difference between the net book value and the fair value of the long-lived asset. Fair value estimates of long-lived assets are based on independent appraisals or discounted cash flows, giving consideration to the highest and best use of the assets. Key assumptions used in the appraisals are based on a combination of market and cost approaches, as appropriate.

In the first six months of 2024 and 2023, the Company recognized property, plant and equipment impairment charges of \$1.5 million and \$0.1 million, respectively, in conjunction with its restructuring actions (Note 3, "Restructuring"). In the first six months of 2024 and 2023, the Company recognized additional property, plant and equipment impairment charges of \$3.9 million and \$2.2 million, respectively. The impairment charges are included in cost of sales in the accompanying condensed consolidated statements of comprehensive income (loss).

*Definite-Lived Intangible Assets*

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

**(7) Goodwill**

A summary of the changes in the carrying amount of goodwill, by operating segment, in the six months ended June 29, 2024, is shown below (in millions):

	Seating	E-Systems	Total
Balance at January 1, 2024	\$ 1,341.5	\$ 396.4	\$ 1,737.9
Acquisition	3.3	—	3.3
Foreign currency translation and other	(18.2)	(2.6)	(20.8)
Balance at June 29, 2024	<u>\$ 1,326.6</u>	<u>\$ 393.8</u>	<u>\$ 1,720.4</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

There was no impairment of goodwill in the first six months of 2024 and 2023. The Company will, however, continue to assess the impact of significant industry and other events on its recorded goodwill.

For further information related to the acquisition, see Note 2, "Acquisition."

**(8) Debt**

*Short-Term Borrowings*

The Company utilizes uncommitted lines of credit as needed for its short-term working capital fluctuations. As of June 29, 2024 and December 31, 2023, the Company had lines of credit from banks totaling \$355.5 million and \$337.7 million, respectively. As of June 29, 2024 and December 31, 2023, the Company had short-term debt balances outstanding related to draws on its lines of credit of \$26.8 million and \$27.5 million, respectively.

*Long-Term Debt*

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

Debt Instrument	June 29, 2024				
	Long-Term Debt	Unamortized Debt Issuance Costs	Unamortized Original Issue Premium (Discount)	Long-Term Debt, Net	Weighted Average Interest Rate
Delayed-Draw Term Loan Facility (the "Term Loan")	\$ 150.0	\$ (0.4)	\$ —	\$ 149.6	6.555%
3.8% Senior Notes due 2027 (the "2027 Notes")	550.0	(1.4)	(1.2)	547.4	3.885%
4.25% Senior Notes due 2029 (the "2029 Notes")	375.0	(1.5)	(0.5)	373.0	4.288%
3.5% Senior Notes due 2030 (the "2030 Notes")	350.0	(1.6)	(0.5)	347.9	3.525%
2.6% Senior Notes due 2032 (the "2032 Notes")	350.0	(2.4)	(0.6)	347.0	2.624%
5.25% Senior Notes due 2049 (the "2049 Notes")	625.0	(5.5)	12.4	631.9	5.103%
3.55% Senior Notes due 2052 (the "2052 Notes")	350.0	(3.6)	(0.5)	345.9	3.558%
Other	1.1	—	—	1.1	N/A
	<u>\$ 2,751.1</u>	<u>\$ (16.4)</u>	<u>\$ 9.1</u>	<u>\$ 2,743.8</u>	
Less — Current portion				(0.3)	
Long-term debt				<u>\$ 2,743.5</u>	

Debt Instrument	December 31, 2023				
	Long-Term Debt	Unamortized Debt Issuance Costs	Unamortized Original Issue Premium (Discount)	Long-Term Debt, Net	Weighted Average Interest Rate
Term Loan	\$ 150.0	\$ (0.5)	\$ —	\$ 149.5	6.575%
2027 Notes	550.0	(1.6)	(1.4)	547.0	3.885%
2029 Notes	375.0	(1.7)	(0.6)	372.7	4.288%
2030 Notes	350.0	(1.8)	(0.5)	347.7	3.525%
2032 Notes	350.0	(2.5)	(0.7)	346.8	2.624%
2049 Notes	625.0	(5.6)	12.6	632.0	5.103%
2052 Notes	350.0	(3.7)	(0.4)	345.9	3.558%
Other	1.3	—	—	1.3	N/A
	<u>\$ 2,751.3</u>	<u>\$ (17.4)</u>	<u>\$ 9.0</u>	<u>2,742.9</u>	
Less — Current portion				(0.3)	
Long-term debt				<u>\$ 2,742.6</u>	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

Senior Notes

The issuance, maturity and interest payment dates of the Company's senior unsecured 2027 Notes, 2029 Notes, 2030 Notes, 2032 Notes, 2049 Notes and 2052 Notes (collectively, the "Notes") are shown below:

Note	Issuance Date(s)	Maturity Date	Interest Payment Dates
2027 Notes	August 2017	September 15, 2027	March 15 and September 15
2029 Notes	May 2019	May 15, 2029	May 15 and November 15
2030 Notes	February 2020	May 30, 2030	May 30 and November 30
2032 Notes	November 2021	January 15, 2032	January 15 and July 15
2049 Notes	May 2019 and February 2020	May 15, 2049	May 15 and November 15
2052 Notes	November 2021	January 15, 2052	January 15 and July 15

Subject to certain exceptions, the indentures governing the Notes contain 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 June 29, 2024, the Company was in compliance with all covenants under the indentures governing the Notes.

Credit Agreement

The Company's \$2.0 billion amended and restated unsecured revolving credit agreement (the "Credit Agreement") expires on October 28, 2027.

As of June 29, 2024 and December 31, 2023, there were no borrowings outstanding under the Credit Agreement.

Advances under the Credit Agreement generally bear interest based on (i) Term Benchmark, Central Bank Rate and Risk Free Rate ("RFR") (in each case, as defined in the Credit Agreement) or (ii) Alternate Base Rate ("ABR") and Canadian Prime Rate (in each case, as defined in the Credit Agreement). As of June 29, 2024, the ranges and rates are as follows:

	Term Benchmark, Central Bank Rate and RFR Loans			ABR and Canadian Prime Rate Loans		
	Minimum	Maximum	Rate as of June 29, 2024	Minimum	Maximum	Rate as of June 29, 2024
Credit Agreement	0.925 %	1.450 %	1.125 %	0.000 %	0.450 %	0.125 %

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

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

As of June 29, 2024, the Company was in compliance with all covenants under the Credit Agreement.

Term Loan

In May 2023, the Company borrowed \$150 million under its unsecured delayed-draw term loan facility (the "Term Loan") to finance, in part, the acquisition of IGB (Note 2, "Acquisition"). The Term Loan matures on May 1, 2026, three years after the funding date. Advances under the Term Loan generally bear interest based on the Daily or Term SOFR (as defined in the Term Loan agreement) plus a margin determined in accordance with a pricing grid that ranges from 1.00% to 1.525%. As of June 29, 2024, the interest rate was 6.555%.

The Term Loan contains the same covenants as the Credit Agreement. As of June 29, 2024, the Company was in compliance with all covenants under the Term Loan.

Other Long-Term Debt

As of June 29, 2024 and December 31, 2023, other long-term debt, including the current portion, consisted of amounts outstanding under finance lease agreements.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

For further information related to the Company's debt, see Note 7, "Debt," to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

**(9) Leases**

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

	June 29, 2024	December 31, 2023
Right-of-use assets under operating leases:		
Other long-term assets	\$ 720.5	\$ 733.5
Lease obligations under operating leases:		
Accrued liabilities	\$ 153.0	\$ 151.9
Other long-term liabilities	607.3	623.0
	<u>\$ 760.3</u>	<u>\$ 774.9</u>

Maturities of lease obligations as of June 29, 2024, are shown below (in millions):

	June 29, 2024
2024 <sup>(1)</sup>	\$ 92.8
2025	169.7
2026	144.0
2027	119.7
2028	97.3
Thereafter	242.2
Total undiscounted cash flows	<u>865.7</u>
Less: Imputed interest	(105.4)
Lease obligations under operating leases	<u>\$ 760.3</u>

<sup>(1)</sup> For the remaining six months

The Company entered into an operating lease with a lease term of eight years that is expected to commence in the third quarter of 2024. The right-of-use asset and related lease obligation are expected to be approximately \$6 million.

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

	Six Months Ended	
	June 29, 2024	July 1, 2023
Non-cash activity:		
Right-of-use assets obtained in exchange for operating lease obligations	\$ 88.5	\$ 100.9
Operating cash flows:		
Cash paid related to operating lease obligations	<u>\$ 95.4</u>	<u>\$ 89.6</u>

In addition to the right-of-use assets obtained in exchange for operating lease obligations shown above, in the three and six months ended July 1, 2023, the Company acquired \$14.3 million of right-of-use assets and related lease obligations in conjunction with its acquisition of IGB (Note 2, "Acquisition").

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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

	Three Months Ended		Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Operating lease expense	\$ 47.4	\$ 45.3	\$ 94.7	\$ 89.5
Short-term lease expense	5.3	5.1	10.9	10.2
Variable lease expense	2.0	2.4	4.1	5.0
Total lease expense	<u>\$ 54.7</u>	<u>\$ 52.8</u>	<u>\$ 109.7</u>	<u>\$ 104.7</u>

In the six months ended June 29, 2024, the Company recognized impairment charges of \$0.9 million related to its right-of-use assets. In the three and six months ended July 1, 2023, the Company recognized impairment charges of \$9.6 million related to its right-of-use assets in conjunction with its restructuring actions (see Note 3, "Restructuring"). The impairment charges are included in cost of sales in the accompanying condensed consolidated statement of comprehensive income (loss).

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

	June 29, 2024
Weighted average remaining lease term	Seven years
Weighted average discount rate	4.0 %

The Company is party to finance lease agreements, which are not material to the accompanying condensed consolidated financial statements (Note 8, "Debt").

For further information related to the Company's leases, see Note 8, "Leases," to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

**(10) Pension and Other Postretirement Benefit Plans**

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

*Net Periodic Pension and Other Postretirement Benefit (Credit) Cost*

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

	Three Months Ended				Six Months Ended			
	June 29, 2024		July 1, 2023		June 29, 2024		July 1, 2023	
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
Service cost	\$ —	\$ 1.0	\$ —	\$ 0.8	\$ —	\$ 2.0	\$ —	\$ 1.6
Interest cost	5.1	3.9	5.2	4.2	10.2	7.8	10.4	8.3
Expected return on plan assets	(5.4)	(3.7)	(5.2)	(4.1)	(10.7)	(7.4)	(10.2)	(8.1)
Amortization of actuarial loss	0.2	0.5	0.3	0.5	0.4	1.0	0.5	1.0
Settlement gain	—	—	—	—	(0.1)	—	(0.1)	—
Net periodic benefit (credit) cost	<u>\$ (0.1)</u>	<u>\$ 1.7</u>	<u>\$ 0.3</u>	<u>\$ 1.4</u>	<u>\$ (0.2)</u>	<u>\$ 3.4</u>	<u>\$ 0.6</u>	<u>\$ 2.8</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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

	Three Months Ended				Six Months Ended			
	June 29, 2024		July 1, 2023		June 29, 2024		July 1, 2023	
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
Interest cost	\$ 0.3	\$ 0.2	\$ 0.4	\$ 0.3	\$ 0.7	\$ 0.4	\$ 0.8	\$ 0.5
Amortization of actuarial gain	(0.7)	(0.1)	(0.8)	(0.1)	(1.5)	(0.2)	(1.7)	(0.1)
Amortization of prior service credit	(0.1)	—	(0.1)	—	(0.1)	—	(0.1)	—
Net periodic benefit (credit) cost	\$ (0.5)	\$ 0.1	\$ (0.5)	\$ 0.2	\$ (0.9)	\$ 0.2	\$ (1.0)	\$ 0.4

**(11) Revenue Recognition**

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

Revenue is recognized at a point in time when control of the product is transferred to the customer under standard commercial terms, as the Company does not have an enforceable right to payment prior to such transfer. The amount of revenue recognized reflects the consideration that the Company expects to be entitled to in exchange for those products based on the current purchase orders, annual price reductions and ongoing price adjustments. In the first six months of 2024 and 2023, revenue recognized related to prior years represented approximately 1% of consolidated net sales. The Company's customers pay for products received in accordance with payment terms that are customary within the industry. The Company's contracts with its customers do not have significant financing components.

The Company records a contract liability for advances received from its customers. As of June 29, 2024 and December 31, 2023, there were no significant contract liabilities recorded. Further, in the first six months of 2024 and 2023, there were no significant contract liabilities recognized in revenue.

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

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

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

	Three Months Ended					
	June 29, 2024			July 1, 2023		
	Seating	E-Systems	Total	Seating	E-Systems	Total
North America	\$ 2,033.1	\$ 519.4	\$ 2,552.5	\$ 2,001.4	\$ 468.4	\$ 2,469.8
Europe and Africa	1,543.6	628.0	2,171.6	1,567.8	624.7	2,192.5
Asia	731.2	343.2	1,074.4	737.1	372.0	1,109.1
South America	139.1	74.8	213.9	161.8	66.0	227.8
	\$ 4,447.0	\$ 1,565.4	\$ 6,012.4	\$ 4,468.1	\$ 1,531.1	\$ 5,999.2

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

	Six Months Ended					
	June 29, 2024			July 1, 2023		
	Seating	E-Systems	Total	Seating	E-Systems	Total
North America	\$ 4,033.1	\$ 995.3	\$ 5,028.4	\$ 4,013.3	\$ 836.5	\$ 4,849.8
Europe and Africa	3,165.7	1,259.7	4,425.4	3,164.5	1,259.0	4,423.5
Asia	1,445.8	688.3	2,134.1	1,425.4	703.2	2,128.6
South America	280.0	139.1	419.1	317.9	124.9	442.8
	<u>\$ 8,924.6</u>	<u>\$ 3,082.4</u>	<u>\$ 12,007.0</u>	<u>\$ 8,921.1</u>	<u>\$ 2,923.6</u>	<u>\$ 11,844.7</u>

**(12) Other Expense, Net**

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

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

	Three Months Ended		Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Other expense	\$ 12.5	\$ 24.2	\$ 31.4	\$ 41.0
Other income	(5.1)	(4.7)	(10.5)	(7.8)
Other expense, net	<u>\$ 7.4</u>	<u>\$ 19.5</u>	<u>\$ 20.9</u>	<u>\$ 33.2</u>

In the three and six months ended June 29, 2024, other expense includes net foreign currency transaction losses of \$6.9 million and \$18.2 million, respectively, including losses of \$3.5 million and \$9.8 million, respectively, related to the hyper-inflationary environment in Argentina.

In the three and six months ended July 1, 2023, other expense includes net foreign currency transaction losses of \$16.3 million and \$21.1 million, respectively, including losses of \$4.5 million and \$7.5 million, respectively, related to the hyper-inflationary environment in Argentina. In the six months ended July 1, 2023, other expense includes a loss of \$5.0 million related to the impairment of an affiliate.

**(13) Income Taxes**

A summary of the provision for income taxes and the corresponding effective tax rate for the three and six months ended June 29, 2024 and July 1, 2023, is shown below (in millions, except effective tax rates):

	Three Months Ended		Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Provision for income taxes	\$ 46.2	\$ 41.5	\$ 86.7	\$ 87.1
Pretax income before equity in net income of affiliates	\$ 226.5	\$ 212.5	\$ 383.4	\$ 411.9
Effective tax rate	<u>20.4 %</u>	<u>19.5 %</u>	<u>22.6 %</u>	<u>21.1 %</u>

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

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

	Six Months Ended	
	June 29, 2024	July 1, 2023
Restructuring charges and various other items	\$ 20.2	\$ 10.2
Tax reserves and audit settlements	3.3	2.3
Share-based compensation	(0.4)	(0.5)
Valuation allowances on deferred tax assets	—	5.1
	\$ 23.1	\$ 17.1

Excluding the items above, the effective tax rate for the first six months of 2024 and 2023 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 9, "Income Taxes," to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

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

Basic net income per share attributable to Lear is computed by dividing net income attributable to Lear by the average number of common shares outstanding during the period. Common shares issuable upon the satisfaction of certain conditions pursuant to a contractual agreement are considered common shares outstanding and are included in the computation of basic net income per share attributable to Lear.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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

	Three Months Ended		Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Net income attributable to Lear	\$ 173.1	\$ 168.7	\$ 282.7	\$ 312.3
Average common shares outstanding	56,926,745	59,133,427	57,088,459	59,224,991
Dilutive effect of common stock equivalents	307,714	232,740	312,713	237,575
Average diluted shares outstanding	57,234,459	59,366,167	57,401,172	59,462,566
Basic net income per share attributable to Lear	\$ 3.04	\$ 2.85	\$ 4.95	\$ 5.27
Diluted net income per share attributable to Lear	\$ 3.02	\$ 2.84	\$ 4.92	\$ 5.25

**(15) Comprehensive Income (Loss) and Equity**

*Comprehensive Income (Loss)*

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

*Accumulated Other Comprehensive Loss*

A summary of changes, net of tax, in accumulated other comprehensive loss for the three and six months ended June 29, 2024, is shown below (in millions):

	Three Months Ended June 29, 2024	Six Months Ended June 29, 2024
<b>Defined benefit plans:</b>		
Balance at beginning of period	\$ (107.2)	\$ (107.3)
Reclassification adjustments (net of tax benefit of \$0.1 million in the three and six months ended June 29, 2024)	(0.1)	(0.4)
Other comprehensive income recognized during the period (net of tax benefit (expense) of (\$0.2) million and \$0.1 million in the three and six months ended June 29, 2024, respectively)	0.6	1.0
Balance at end of period	\$ (106.7)	\$ (106.7)
<b>Derivative instruments and hedging:</b>		
Balance at beginning of period	\$ 121.4	\$ 107.9
Reclassification adjustments (net of tax benefit of \$8.0 million and \$17.3 million in the three and six months ended June 29, 2024, respectively)	(33.4)	(68.3)
Other comprehensive loss recognized during the period (net of tax benefit of \$25.2 million and \$12.1 million in the three and six months ended June 29, 2024, respectively)	(95.5)	(47.1)
Balance at end of period	\$ (7.5)	\$ (7.5)
<b>Foreign currency translation:</b>		
Balance at beginning of period	\$ (769.2)	\$ (689.4)
Other comprehensive loss recognized during the period (net of tax expense of \$0.2 million and \$0.8 million in the three and six months ended June 29, 2024, respectively)	(46.0)	(125.8)
Balance at end of period	\$ (815.2)	\$ (815.2)
<b>Total accumulated other comprehensive loss</b>	<b>\$ (929.4)</b>	<b>\$ (929.4)</b>

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

In the three months ended June 29, 2024, foreign currency translation adjustments are primarily related to the weakening of the Brazilian real, the Euro and, to a lesser extent, the Chinese renminbi relative to the U.S. dollar.

In the six months ended June 29, 2024, foreign currency translation adjustments are primarily related to the weakening of the Euro, the Brazilian real and the Chinese renminbi relative to the U.S. dollar and include pretax losses of \$0.1 million related to intercompany transactions for which settlement is not planned or anticipated in the foreseeable future.

In the three and six months ended June 29, 2024, foreign currency translation adjustments also include net investment hedge gains of \$0.8 million and \$3.7 million, respectively.

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

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

In the three months ended July 1, 2023, foreign currency translation adjustments are primarily related to the weakening of the Chinese renminbi, partially offset by the strengthening of the Euro and the Brazilian real, relative to the U.S. dollar.

In the six months ended July 1, 2023, foreign currency translation adjustments are primarily related to the strengthening of the Euro and the Brazilian real, partially offset by the weakening of the Chinese renminbi, relative to the U.S. dollar.

In the three and six months ended July 1, 2023, foreign currency translation adjustments include pretax gains of \$0.1 million and \$0.2 million, respectively, related to intercompany transactions for which settlement is not planned or anticipated in the foreseeable future.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

*Lear Corporation Stockholders' Equity*

Common Stock Share Repurchase Program

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

The Company has a common stock share repurchase program (the "Repurchase Program") which permits the discretionary repurchase of its common stock. Since the inception of the Repurchase Program in the first quarter of 2011, the Company's Board of Directors (the "Board") has authorized \$6.7 billion in share repurchases, including an increase in the Company's share repurchase authorization to \$1.5 billion on February 16, 2024. As of June 29, 2024, the Company has repurchased, in aggregate, \$5.3 billion of its outstanding common stock, at an average price of \$93.88 per share, excluding commissions and related fees, and has a remaining repurchase authorization of \$1.4 billion which expires on December 31, 2026.

Share repurchases in the first six months of 2024 and the remaining repurchase authorization as of June 29, 2024, are shown below (in millions, except for share and per share amounts):

	Six Months Ended June 29, 2024			As of June 29, 2024	
	Aggregate Repurchases <sup>(1)</sup>	Cash Paid for Repurchases <sup>(2)</sup>	Number of Shares	Average Price per Share <sup>(3)</sup>	Remaining Purchase Authorization
\$	90.2	\$ 106.8	693,706	\$ 129.99	\$ 1,409.8

<sup>(1)</sup> Excludes excise tax

<sup>(2)</sup> Includes \$16.6 million of 2023 share repurchases paid for in the first quarter of 2024

<sup>(3)</sup> Excludes commissions

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

Quarterly Dividend

The Board declared quarterly cash dividends of \$0.77 per share of common stock in the first and second quarters of 2024 and 2023.

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

	Six Months Ended	
	June 29, 2024	July 1, 2023
Dividends declared	\$ 89.6	\$ 93.0
Dividends paid	89.1	92.1

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

**(16) Legal and Other Contingencies**

As of June 29, 2024 and December 31, 2023, the Company had recorded reserves for pending legal disputes, including commercial disputes, product liability claims and other legal matters, of \$14.2 million and \$13.5 million, respectively. Such reserves reflect amounts recognized in accordance with GAAP and typically exclude the cost of legal representation. Reserves for warranty and recall matters are recorded separately from legal reserves, as described below.



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

*Commercial Disputes*

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

*Product Liability, Warranty and Recall Matters*

In the event that use of the Company's products results in, or is alleged to result in, bodily injury and/or property damage or other losses, the Company may be subject to product liability lawsuits and other claims. Such lawsuits generally seek compensatory damages, punitive damages and attorneys' fees and costs. In addition, if any of the Company's products are, or are alleged to be, defective, the Company may be required or requested by its customers to support warranty costs or 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.

The Company is party to agreements with certain of its customers, whereby these customers may pursue claims against the Company for contribution of all or a portion of the amounts sought in connection with warranty and recall matters.

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

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

A summary of the changes in reserves for warranty and recall matters for the six months ended June 29, 2024, is shown below (in millions):

Balance at January 1, 2024	\$	32.4
Expense, net (including changes in estimates)		5.5
Settlements		(6.6)
Foreign currency translation and other		0.4
Balance at June 29, 2024	<u>\$</u>	<u>31.7</u>

*Environmental Matters*

The Company is subject to local, state, federal and foreign laws, regulations and ordinances which govern activities or operations that may have or have had adverse environmental effects. These regulations 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 June 29, 2024 and December 31, 2023, the Company had recorded environmental reserves of \$4.9 million. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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

**(17) Segment Reporting**

The Company is organized under two reportable operating segments: Seating, which consists of the design, development, engineering and manufacture of complete seat systems and key seat components, and E-Systems, which consists of the design, development, engineering and manufacture of complete electrical distribution and connection systems; high-voltage power distribution products, including battery disconnect units ("BDUs"); and low-voltage power distribution products, electronic controllers and other electronic products. Included in the Company's complete seat systems and components are thermal comfort systems and configurable seating product technologies. All of these products are compatible with traditional internal combustion engine ("ICE") architectures and electrified powertrains, including the full range of hybrid, plug-in hybrid and battery electric architectures. Key seat component product offerings include seat trim covers; surface materials such as leather and fabric; seat mechanisms; seat foam; headrests; and thermal comfort systems such as seat heating, ventilation, active cooling, pneumatic lumbar and massage products. Key components of the Company's electrical distribution and connection systems portfolio include wire harnesses, terminals and connectors, high-voltage battery connection systems and engineered components. High-voltage battery connection systems include intercell connect boards, bus bars and main battery connection systems. High-voltage power distribution products control the flow and distribution of high-voltage power throughout electrified vehicles and include BDUs which control all electrical energy flowing into and out of high-voltage batteries in electrified vehicles. Low-voltage power distribution products, electronic controllers and other electronic products facilitate signal, data and/or power management within the vehicle and include the associated software required to facilitate these functions. Key components of the Company's other electronic products portfolio include zone control modules, body domain control modules and low-voltage and high-voltage power distribution modules. The Company's software offerings include embedded control, cybersecurity software and software to control hardware devices. The Company's customers traditionally have sourced its electronic hardware together with the software that the Company embeds in it. The other category includes unallocated costs related to corporate headquarters, regional headquarters and the elimination of intercompany activities, none of which meets the requirements for being classified as an operating segment. Corporate and regional headquarters costs include various support functions, such as information technology, advanced research and development, corporate finance, legal, executive administration and human resources.

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

The Company evaluates the performance of its operating segments based primarily on (i) revenues from external customers, (ii) pretax income before equity in net income of affiliates, interest expense, net 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 June 29, 2024			
	Seating	E-Systems	Other	Consolidated
Revenues from external customers	\$ 4,447.0	\$ 1,565.4	\$ —	\$ 6,012.4
Segment earnings <sup>(1)</sup>	276.0	69.5	(84.7)	260.8
Depreciation and amortization	100.9	47.9	5.1	153.9
Capital expenditures	82.3	34.8	3.7	120.8
Total assets	8,590.8	4,070.4	2,020.7	14,681.9

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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

	Six Months Ended June 29, 2024			
	Seating	E-Systems	Other	Consolidated
Revenues from external customers	\$ 8,924.6	\$ 3,082.4	\$ —	\$ 12,007.0
Segment earnings <sup>(1)</sup>	517.6	123.6	(183.9)	457.3
Depreciation and amortization	201.5	97.5	10.2	309.2
Capital expenditures	145.9	80.4	8.1	234.4

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

<sup>(1)</sup> See definition above

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

	Three Months Ended		Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Segment earnings	\$ 260.8	\$ 258.2	\$ 457.3	\$ 495.5
Interest expense, net	26.9	26.2	53.0	50.4
Other expense, net	7.4	19.5	20.9	33.2
Consolidated income before provision for income taxes and equity in net income of affiliates	\$ 226.5	\$ 212.5	\$ 383.4	\$ 411.9

**(18) Financial Instruments**

*Debt Instruments*

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

	June 29, 2024	December 31, 2023
Estimated aggregate fair value <sup>(1)</sup>	\$ 2,428.7	\$ 2,464.5
Aggregate carrying value <sup>(1)(2)</sup>	2,750.0	2,750.0

<sup>(1)</sup> Excludes "other" debt

<sup>(2)</sup> Excludes the impact of unamortized debt issuance costs and unamortized original issue premium (discount)

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

*Cash, Cash Equivalents and Restricted Cash*

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

	June 29, 2024	July 1, 2023
<b>Balance sheet:</b>		
Cash and cash equivalents	\$ 950.3	\$ 901.9
Restricted cash included in other current assets	1.8	1.4
Restricted cash included in other long-term assets	1.5	2.0
<b>Statement of cash flows:</b>		
Cash, cash equivalents and restricted cash	\$ 953.6	\$ 905.3

*Accounts Receivable*

The Company's allowance for credit losses on financial assets measured at amortized cost, primarily accounts receivable, reflects management's estimate of credit losses over the remaining expected life of such assets, measured primarily using historical experience, as well as current conditions and forecasts that affect the collectability of the reported amount. Expected credit losses for newly recognized financial assets, as well as changes to expected credit losses during the period, are recognized in earnings. The Company also considers geographic and segment specific risk factors in the development of expected credit losses. As of June 29, 2024 and December 31, 2023, accounts receivable are reflected net of reserves of \$36.8 million and \$35.6 million, respectively. Changes in expected credit losses were not significant in the first six months of 2024.

*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):

	June 29, 2024	December 31, 2023
Current assets	\$ 6.2	\$ 4.8
Other long-term assets	74.1	68.5
	\$ 80.3	\$ 73.3

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

*Equity Securities Without Readily Determinable Fair Values*

As of June 29, 2024 and December 31, 2023, investments in equity securities without readily determinable fair values of \$11.2 million are included in other long-term assets in the accompanying condensed consolidated balance sheets. Such investments are valued at cost, less cumulative impairments of \$17.0 million as of June 29, 2024 and December 31, 2023. In the six months ended July 1, 2023, the Company recognized a loss of \$5.0 million related to the impairment of an investment in equity securities without a readily determinable fair value.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)*Derivative Instruments and Hedging Activities*

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

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

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

Foreign Exchange

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

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

Net Investment Hedges

The Company uses cross-currency interest rate swaps, which are designated as net investment hedges of the foreign currency rate exposure of its investment in certain Euro-denominated subsidiaries. In the six months ended June 29, 2024 and July 1, 2023, contra interest expense on net investment hedges of \$1.2 million is included in interest expense, net in the accompanying condensed consolidated statements of comprehensive income (loss).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

Balance Sheet Classification

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

	June 29, 2024	December 31, 2023
Fair value of foreign currency contracts designated as cash flow hedges:		
Other current assets	\$ 52.3	\$ 137.2
Other long-term assets	4.3	19.9
Other current liabilities	(17.2)	(1.8)
Other long-term liabilities	(30.6)	(0.5)
	8.8	154.8
Notional amount	\$ 2,437.2	\$ 2,352.3
Outstanding maturities in months, not to exceed	36	24
Fair value of derivatives designated as net investment hedges:		
Other long-term assets	\$ 2.6	\$ —
Other long-term liabilities	—	(1.1)
	2.6	(1.1)
Notional amount	\$ 150.0	\$ 150.0
Outstanding maturities in months, not to exceed	21	27
Fair value of foreign currency contracts not designated as hedging instruments:		
Other current assets	\$ 2.2	\$ 5.8
Other current liabilities	(2.3)	(1.2)
	(0.1)	4.6
Notional amount	\$ 455.2	\$ 569.9
Outstanding maturities in months, not to exceed	4	1
Total fair value	\$ 11.3	\$ 158.3
Total notional amount	\$ 3,042.4	\$ 3,072.2

Accumulated Other Comprehensive Loss — Derivative Instruments and Hedging

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

	Three Months Ended		Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Gains (losses) recognized in accumulated other comprehensive loss:				
Foreign currency contracts	\$ (120.7)	\$ 96.3	\$ (59.2)	\$ 192.0
Net investment hedge contracts	0.8	(2.5)	3.7	(3.3)
	(119.9)	93.8	(55.5)	188.7
(Gains) losses reclassified from accumulated other comprehensive loss to:				
Net sales	(1.1)	(0.3)	(2.5)	0.4
Cost of sales	(40.9)	(45.2)	(84.3)	(69.3)
Interest expense, net	0.6	0.6	1.2	1.2
Other expense, net	—	—	—	0.4
	(41.4)	(44.9)	(85.6)	(67.3)
Comprehensive income (loss)	\$ (161.3)	\$ 48.9	\$ (141.1)	\$ 121.4

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

As of June 29, 2024 and December 31, 2023, pretax net gains of \$15.2 million and \$156.3 million, respectively, related to the Company's derivative instruments and hedging activities were recorded in accumulated other comprehensive loss.

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

Foreign currency contracts	\$	35.2
Interest rate swap contracts		(2.4)
Total	\$	<u>32.8</u>

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 June 29, 2024 and December 31, 2023, are shown below (in millions):

	Frequency	June 29, 2024				
		Asset (Liability)	Valuation Technique	Level 1	Level 2	Level 3
Foreign currency contracts, net	Recurring	\$ 8.7	Market/ Income	\$ —	\$ 8.7	\$ —
Net investment hedges	Recurring	2.6	Market/ Income	—	2.6	—
Marketable equity securities	Recurring	80.3	Market	80.3	—	—

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

	December 31, 2023					
	Frequency	Asset (Liability)	Valuation Technique	Level 1	Level 2	Level 3
Foreign currency contracts, net	Recurring	\$ 159.4	Market/ Income	\$ —	\$ 159.4	\$ —
Net investment hedges	Recurring	(1.1)	Market/ Income	—	(1.1)	—
Marketable equity securities	Recurring	73.3	Market	73.3	—	—

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 June 29, 2024 and December 31, 2023, there were no derivative contracts that were classified within Level 3 of the fair value hierarchy. In addition, there were no transfers in or out of Level 3 of the fair value hierarchy in the first six months of 2024.

**Items Measured at Fair Value on a Non-Recurring Basis**

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

In the six months ended June 29, 2024, the Company completed impairment assessments related to certain of its property, plant and equipment and right-of-use assets and recorded related impairment charges of \$5.4 million and \$0.9 million, respectively. The fair value estimates of the related assets were based on management's estimates using a discounted cash flow method.

In the six months ended July 1, 2023, the Company completed impairment assessments related to certain of its property, plant and equipment, right-of-use assets and intangible assets and recorded related impairment charges of \$2.3 million, \$9.6 million and \$1.9 million, respectively. The fair value estimates of the related assets were based on management's estimates using a discounted cash flow method.

As of June 29, 2024, there were no additional significant assets or liabilities measured at fair value on a non-recurring basis.

**(19) Accounting Pronouncements**

*Accounting Standards Updates ("ASU") Issued But Not Yet Adopted:*

ASU 2023-07 (issued November 2023), "Segment Reporting - Improving Reportable Segment Disclosures." The ASU requires disclosure of significant segment expenses impacting profit and loss that are regularly provided to the chief operating decision maker. It also requires public entities to provide in interim periods all reportable segment profit or loss and asset disclosures that are currently required annually. The update is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The update is required to be adopted retrospectively to prior periods presented, based on the significant segment expense categories identified and disclosed in the period of adoption. The Company is currently evaluating the impact of the update but does not expect it to have a significant impact on its financial statements.

ASU 2023-09 (issued December 2023), "Improvements to Income Tax Disclosures." The ASU requires disclosure of specific categories in the effective tax rate reconciliation, as well as additional information for reconciling items that meet a quantitative threshold. It also requires disclosure of income taxes paid, net of refunds, disaggregated by federal, state and foreign taxes, and further disaggregated by jurisdiction based on a quantitative threshold. The update is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The update is to be adopted prospectively; however, retrospective application is permitted. The Company is currently evaluating the impact of the update but does not expect it to have a significant impact on its financial statements.

The Company considers the applicability and impact of all ASUs issued by the Financial Accounting Standards Board. Other recently issued accounting pronouncements are not expected to have a material impact or are not relevant to the Company's condensed consolidated financial statements.



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

### EXECUTIVE OVERVIEW

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

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

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

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

Our E-Systems business consists of the design, development, engineering and manufacture of complete electrical distribution and connection systems; high-voltage power distribution products, including BDUs; and low-voltage power distribution products, electronic controllers and other electronic products. These capabilities enable us to provide our customers with customizable solutions with optimized designs at competitive costs for both low-voltage and high-voltage vehicle architectures.

- Electrical distribution and connection systems utilize low-voltage and high-voltage wire, high-speed data cables and flat wiring to connect networks and electrical signals and manage electrical power within the vehicle for all types of powertrains – from traditional ICE architectures to the full range of electrified powertrains that require management of higher voltage and power. Key components of our electrical distribution and connection systems portfolio include wire harnesses, terminals and connectors, high-voltage battery connection systems and engineered components.
- High-voltage battery connection systems include intercell connect boards, bus bars and main battery connection systems. High-voltage power distribution products control the flow and distribution of high-voltage power throughout electrified vehicles and include BDUs which control all electrical energy flowing into and out of high-voltage batteries in electrified vehicles.
- Low-voltage power distribution products, electronic controllers and other electronic products facilitate signal, data and/or power management within the vehicle and include the associated software required to facilitate these functions. Key components of our other electronic products portfolio include zone control modules, body domain control modules and low-voltage and high-voltage power distribution modules. Our software offerings include embedded control, cybersecurity software and software to control hardware devices. Our customers traditionally have sourced our electronic hardware together with the software that we embed in it.

We serve all of the world's major automotive manufacturers through both our Seating and E-Systems businesses, and we have automotive content on more than 475 vehicle nameplates worldwide. It is common for us to have both seating and electrical and/or electronic content on the same vehicle platform.

Our businesses benefit globally from leveraging common operating standards and disciplines, including world-class product development and manufacturing processes, as well as common customer support and regional infrastructures, all of which contribute to our reputation for operational excellence. Our core capabilities are shared across component categories and include high-precision manufacturing and assembly with short lead times, complex, global supply chain management, global

engineering and program management, the agility to establish and/or transfer production between facilities quickly, and a unique, customer-focused culture. In select instances, we are able to manufacture both Seating and E-Systems components in the same facility. Our businesses also utilize proprietary, industry-specific processes and standards, leverage common low-cost engineering centers and share centralized operating support functions. These functions include health and safety, logistics, quality, supply chain management and all major administrative functions, such as corporate finance, executive administration, human resources, information technology and legal. We continue to build on our reputation for operational excellence through investment in manufacturing automation technologies and the digital transformation of both our operations and administrative functions. It involves the integration of new technologies, such as Industrial Internet of Things (IIoT), cloud computing, artificial intelligence (AI), machine learning and advanced automation, into production facilities and business operations. These technologies enable smart and automated machines and smart factories to communicate, analyze and optimize processes and products, resulting in higher efficiency, quality and responsiveness to customers.

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

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

IDEA by Lear - Innovative. Digital. Engineered. Automated. - is the evolution of our strategy to drive growth and improve profitability. IDEA reflects our commitment to continue to strengthen our competitive position in both of our business segments through the development of innovative products and the utilization of advanced technologies and process automation that improve our profitability through increased efficiency and extend our leadership position in operational excellence.

For further information related to our strategy, see Item 1, "Business," in our Annual Report on Form 10-K for the year ended December 31, 2023.

#### *Industry Overview*

Our sales are driven by the number of vehicles produced by the automotive manufacturers, which is ultimately dependent on consumer demand for automotive vehicles and the availability of raw materials and components, and our content per vehicle.

In 2020, the automotive industry experienced a significant decline in global production volumes as a result of the COVID-19 pandemic. Although 2023 industry production returned to pre-pandemic levels, 2024 industry production is expected to remain approximately 7% below 2017 peak levels (based on July 2024 S&P Global Mobility projections). Since 2020, the global economy, as well as the automotive industry, has been influenced directly and indirectly by macroeconomic events resulting in unfavorable conditions, including shortages of semiconductor chips and other components, elevated inflation levels on commodities and labor, higher interest rates, and labor and energy shortages in certain markets. Certain of these factors, among others, continue to impact consumer demand, as well as the ability of automotive manufacturers to produce vehicles to meet demand. Our strategy to mitigate the impact of these factors encompasses our comprehensive cost management process, including cost technology optimization, actions to further align our manufacturing capacity to the current industry production environment and investments in automation technologies. This will allow us to enhance operational efficiencies, improve the utilization of existing facilities and equipment to reduce future expenditures, and streamline administrative functions. For a description of related risks, see Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2023.

Global automotive industry production volumes in the first six months of 2024, as compared to the first six months of 2023, are shown below (in thousands of units):

	Six Months Ended		% Change
	June 29, 2024 <sup>(1)</sup>	July 1, 2023 <sup>(1) (2)</sup>	
North America	8,119.3	7,977.6	2 %
Europe and Africa	9,263.7	9,598.2	(3)%
Asia	23,381.8	23,209.7	1 %
South America	1,275.9	1,372.7	(7)%
Other	871.3	821.7	6 %
Global light vehicle production	<u>42,912.0</u>	<u>42,979.9</u>	— %

<sup>(1)</sup> Production data based on S&P Global Mobility

<sup>(2)</sup> Production data for 2023 have been updated from our second quarter 2023 Quarterly Report on Form 10-Q to reflect actual production levels

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

Our percentage of consolidated net sales by region in the first six months of 2024 and 2023 is shown below:

	Six Months Ended	
	June 29, 2024	July 1, 2023
North America	42 %	41 %
Europe and Africa	37 %	37 %
Asia	18 %	18 %
South America	3 %	4 %
Total	<u>100 %</u>	<u>100 %</u>

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

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

Our material cost as a percentage of net sales was 64.4% in the first six months of 2024, as compared to 65.7% in the first six months of 2023. Raw material, energy, commodity and product component costs can be volatile, reflecting, among other things, changes in supply and demand, logistics issues, global trade and tariff policies, and geopolitical issues. Our primary commodity cost exposures relate to steel, copper and leather. We have developed and implemented strategies to mitigate the impact of such costs through the selective in-sourcing of components, the continued consolidation of our supply base, longer-term purchase commitments, contractual recovery mechanisms and the selective expansion of low-cost country sourcing and engineering, as well as value engineering and product benchmarking. Further, our exposure to changes in steel prices is primarily indirect, through purchased components, and a significant portion of our copper, leather and direct steel purchases are subject to price index agreements with our customers and suppliers. Certain of these strategies also may limit our opportunities in a declining price environment. In the current environment of elevated raw material, energy, commodity and product component costs, these strategies, together with commercial negotiations with our customers and suppliers, have offset a significant portion of the

adverse impact. In addition, the availability of raw materials, energy, commodities and product components fluctuates from time to time due to factors outside of our control. If these costs increase or availability is restricted, it could have an adverse impact on our operating results in the foreseeable future. See "— Forward-Looking Statements" below and Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2023.

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

#### *Financial Measures*

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

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

#### *Operational Restructuring*

In the first six months of 2024, we incurred pretax restructuring costs of \$84 million and related manufacturing inefficiency charges of approximately \$3 million, as compared to pretax restructuring costs of \$48 million and related manufacturing inefficiency charges of approximately \$1 million in the first six months of 2023. None of the individual restructuring actions initiated in the first six months of 2024 were material. Further, there have been no changes in previously initiated restructuring actions that have resulted (or will result) in a material change to our restructuring costs.

Our restructuring actions include plant closures and workforce reductions and are initiated to maintain our competitive footprint or are in response to customer initiatives or changes in global and regional automotive markets. Our restructuring actions are designed to maintain or improve our operating results and profitability throughout the automotive industry cycles. Restructuring actions are generally funded within twelve months of initiation and are funded by cash flows from operating activities and existing cash balances. We expect to incur approximately \$57 million of additional restructuring costs related to activities initiated as of June 29, 2024, all of which are expected to be incurred in the next twelve months. We plan to implement additional restructuring actions in order to align our manufacturing capacity and other costs with prevailing regional automotive production levels. Such future restructuring actions are dependent on market conditions, customer actions and other factors.

For further information, see Note 3, "Restructuring," to the condensed consolidated financial statements included in this Form 10-Q (this "Report").

#### *Share Repurchase Program and Quarterly Cash Dividends*

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

Since the first quarter of 2011, our Board of Directors (the "Board") has authorized \$6.7 billion in share repurchases under our common stock share repurchase program (the "Repurchase Program"), including an increase in our share repurchase authorization to \$1.5 billion on February 16, 2024. In the first six months of 2024, we repurchased \$90 million of shares. As of June 29, 2024, we have a remaining repurchase authorization of \$1.4 billion, which expires on December 31, 2026.

## LEAR CORPORATION

Our Board declared a quarterly cash dividend of \$0.77 per share of common stock in the first and second quarters of 2024.

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

*Other Matters*

In the three and six months ended June 29, 2024, we recognized net tax benefits of \$10 million and \$23 million, respectively, related to the release of tax reserves and audit settlements at foreign subsidiaries, restructuring charges and various other items.

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

Our results for the three and six months ended June 29, 2024 and July 1, 2023, reflect the following items (in millions):

	Three Months Ended		Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Costs related to restructuring actions, including manufacturing inefficiencies of \$2 million and \$3 million in the three and six months ended June 29, 2024, respectively, and \$1 million in the three and six months ended July 1, 2023	\$ 32	\$ 34	\$ 86	\$ 49
Impairments related to Fisker Inc. ("Fisker")	—	—	15	—
Impairments related to Russian operations	—	—	1	—
Intangible asset impairment	—	1	—	2
Acquisition costs	—	—	1	1
Acquisition-related inventory fair value adjustment	—	2	—	2
Foreign exchange (gains) losses due to foreign exchange rate volatility related to Russia	1	(1)	1	(2)
Loss related to affiliate	—	—	2	5
Tax benefit, net	(10)	(14)	(23)	(17)

For further information regarding these items, see Note 2, "Acquisition," Note 3, "Restructuring," Note 6, "Long-Lived Assets," Note 12, "Other Expense, Net," Note 13, "Income Taxes," and Note 18, "Financial Instruments," to the condensed consolidated financial statements included in this Report.

This Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," includes forward-looking statements that are subject to risks and uncertainties. For further information regarding other factors that have had, or may have in the future, a significant impact on our business, financial condition or results of operations, see "— Forward-Looking Statements" below and Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2023.

**LEAR CORPORATION**
**RESULTS OF OPERATIONS**

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

	Three Months Ended				Six Months Ended			
	June 29, 2024		July 1, 2023		June 29, 2024		July 1, 2023	
Net sales								
Seating	\$ 4,447.0	74.0 %	\$ 4,468.1	74.5 %	\$ 8,924.6	74.3 %	\$ 8,921.1	75.3 %
E-Systems	1,565.4	26.0	1,531.1	25.5	3,082.4	25.7	2,923.6	24.7
Net sales	6,012.4	100.0	5,999.2	100.0	12,007.0	100.0	11,844.7	100.0
Cost of sales	5,563.6	92.5	5,542.2	92.4	11,160.1	92.9	10,957.7	92.5
Gross profit	448.8	7.5	457.0	7.6	846.9	7.1	887.0	7.5
Selling, general and administrative expenses	175.3	2.9	182.8	3.0	361.8	3.0	359.6	3.0
Amortization of intangible assets	12.7	0.2	16.0	0.3	27.8	0.2	31.9	0.3
Interest expense, net	26.9	0.4	26.2	0.4	53.0	0.5	50.4	0.4
Other expense, net	7.4	0.1	19.5	0.4	20.9	0.2	33.2	0.3
Provision for income taxes	46.2	0.8	41.5	0.7	86.7	0.7	87.1	0.8
Equity in net income of affiliates	(14.1)	(0.2)	(16.2)	(0.3)	(24.6)	(0.2)	(25.8)	(0.2)
Net income attributable to noncontrolling interests	21.3	0.4	18.5	0.3	38.6	0.3	38.3	0.3
Net income attributable to Lear	\$ 173.1	2.9 %	\$ 168.7	2.8 %	\$ 282.7	2.4 %	\$ 312.3	2.6 %

**Three Months Ended June 29, 2024 vs. Three Months Ended July 1, 2023**

Net sales in the second quarter of both 2024 and 2023 were \$6.0 billion. New business in every region favorably impacted net sales by \$246 million. This increase was offset by lower production volumes on Lear platforms in every region, which reduced net sales by \$236 million. Commercial recoveries were offset by the impact of foreign exchange rate fluctuations and selling price reductions.

(in millions)	Cost of Sales
Second quarter 2023	\$ 5,542.2
Material cost	(48.0)
Labor and other	63.0
Depreciation	6.4
Second quarter 2024	\$ 5,563.6

Cost of sales was \$5.6 billion in the second quarter of 2024, as compared to \$5.5 billion in the second quarter of 2023. New business increased cost of sales. This increase was offset by lower production volumes on Lear platforms, which reduced cost of sales.

Gross profit and gross margin were \$449 million and 7.5% of net sales, respectively, in the second quarter of 2024, as compared to \$457 million and 7.6% of net sales, respectively, in the second quarter of 2023. Lower production volumes on Lear platforms, net of new business, reduced gross profit by \$22 million. The impact of favorable operating performance, including the benefit of restructuring actions, was partially offset by the impact of selling price reductions and foreign exchange rate fluctuations. These factors had a corresponding impact on gross margin.

Selling, general and administrative expenses, including engineering and development expenses, were \$175 million in the second quarter of 2024, as compared to \$183 million in the second quarter of 2023, primarily reflecting lower compensation-related expenses. As a percentage of net sales, selling, general and administrative expenses were 2.9% in the second quarter of 2024 and 3.0% in the second quarter of 2023.

Amortization of intangible assets was \$13 million in the second quarter of 2024, as compared to \$16 million, including a \$1 million impairment charge, in the second quarter of 2023.

Interest expense, net was \$27 million in the second quarter of 2024, as compared to \$26 million in the second quarter of 2023.

Other expense, net, which includes non-income related taxes, foreign exchange gains and losses, gains and losses related to certain derivative instruments and hedging activities, gains and losses on the disposal of fixed assets, the non-service cost

components of net periodic benefit cost and other miscellaneous income and expense, was \$7 million in the second quarter of 2024, as compared to \$20 million in the second quarter of 2023. In the second quarters of 2024 and 2023, we recognized foreign exchange losses of \$7 million and \$16 million, respectively.

In the second quarter of 2024, the provision for income taxes was \$46 million, representing an effective tax rate of 20.4% on pretax income before equity in net income of affiliates of \$227 million. In the second quarter of 2023, the provision for income taxes was \$42 million, representing an effective tax rate of 19.5% on pretax income before equity in net income of affiliates of \$213 million, for the reasons described below. For further information, see Note 13, "Income Taxes," to the condensed consolidated financial statements included in this Report.

In the second quarters of 2024 and 2023, the provision for income taxes was primarily impacted by the level and mix of earnings among tax jurisdictions. In the second quarter of 2024, we recognized net tax benefits of \$10 million related to the release of tax reserves and audit settlements at foreign subsidiaries, restructuring charges and various other items. In the second quarter of 2023, we recognized net tax benefits of \$14 million related to the release of valuation allowances on the deferred tax assets of a foreign subsidiary, the release of tax reserves at foreign subsidiaries, restructuring charges and various other items.

Excluding these items, the effective tax rate for the second quarters of 2024 and 2023 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 \$14 million in the second quarter of 2024, as compared to \$16 million in the second quarter of 2023.

Net income attributable to Lear was \$173 million, or \$3.02 per diluted share, in the second quarter of 2024, as compared to \$169 million, or \$2.84 per diluted share, in the second quarter of 2023. Net income and diluted net income per share increased for the reasons described above.

#### *Reportable Operating Segments*

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

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

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

#### Seating

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

	Three Months Ended	
	June 29, 2024	July 1, 2023
Net sales	\$ 4,447.0	\$ 4,468.1
Segment earnings <sup>(1)</sup>	276.0	292.9
Margin	6.2 %	6.6 %

<sup>(1)</sup> See definition above

Seating net sales were \$4.4 billion in the second quarter of 2024, as compared to \$4.5 billion in the second quarter of 2023. Lower production volumes on Lear platforms negatively impacted net sales by \$183 million. This decrease was offset by new

business, which increased net sales by \$150 million. Commercial recoveries were offset by the impact of foreign exchange rate fluctuations and selling price reductions.

Segment earnings, including restructuring costs, and the related margin on net sales were \$276 million and 6.2% in the second quarter of 2024, as compared to \$293 million and 6.6% in the second quarter of 2023. Lower production volumes on Lear platforms, net of new business, reduced segment earnings by \$23 million. The impact of favorable operating performance, including the benefit of operational restructuring actions, was partially offset by selling price reductions and foreign exchange rate fluctuations.

#### E-Systems

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

	Three Months Ended	
	June 29, 2024	July 1, 2023
Net sales	\$ 1,565.4	\$ 1,531.1
Segment earnings <sup>(1)</sup>	69.5	52.9
Margin	4.4 %	3.5 %

<sup>(1)</sup> See definition above

E-Systems net sales were \$1.6 billion in the second quarter of 2024, as compared to \$1.5 billion in the second quarter of 2023, reflecting an increase of \$34 million or 2%. New business favorably impacted net sales by \$96 million. This increase was offset by lower production volumes on Lear platforms, which reduced net sales by \$53 million. Commercial recoveries were offset by the impact of foreign exchange rate fluctuations and selling price reductions.

Segment earnings, including restructuring costs, and the related margin on net sales were \$70 million and 4.4% in the second quarter of 2024, as compared to \$53 million and 3.5% in the second quarter of 2023. New business, net of lower production volumes on Lear platforms, increased segment earnings by \$1 million. The impact of favorable operating performance, including the benefit of operational restructuring actions, was partially offset by selling price reductions.

#### Other

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

	Three Months Ended	
	June 29, 2024	July 1, 2023
Net sales	\$ —	\$ —
Segment earnings <sup>(1)</sup>	(84.7)	(87.6)
Margin	N/A	N/A

<sup>(1)</sup> See definition above

Segment earnings related to our other category were (\$85) million in the second quarter of 2024, as compared to (\$88) million in the second quarter of 2023.



**Six Months Ended June 29, 2024 vs. Six Months Ended July 1, 2023**

Net sales for the six months ended June 29, 2024 were \$12.0 billion, as compared to \$11.8 billion for the six months ended July 1, 2023, an increase of \$0.2 billion or 1%. New business in every region and our acquisition of IGB favorably impacted net sales by \$360 million and \$67 million, respectively. These increases were offset by lower production volumes on Lear platforms in Europe, Asia and South America, which reduced net sales by \$300 million. Commercial recoveries were offset by the impact of selling price reductions and foreign exchange rate fluctuations.

(in millions)	Cost of Sales
First six months of 2023	\$ 10,957.7
Material cost	(50.2)
Labor and other	237.0
Depreciation	15.6
First six months of 2024	<u>\$ 11,160.1</u>

Cost of sales in the first six months of 2024 was \$11.2 billion, as compared to \$11.0 billion in the first six months of 2023. New business and our acquisition of IGB increased cost of sales. These increases were offset by lower production volumes on Lear platforms, which reduced cost of sales.

Gross profit and gross margin were \$847 million and 7.1% of net sales, respectively, for the six months ended June 29, 2024, as compared to \$887 million and 7.5% of net sales, respectively, for the six months ended July 1, 2023. Higher restructuring costs and impairment charges related to Fisker reduced gross profit by \$53 million. Lower production volumes on Lear platforms, net of new business, also reduced gross profit by \$15 million. The impact of favorable operating performance, including the benefit of restructuring actions, was partially offset by selling price reductions and foreign exchange rate fluctuations. These factors had a corresponding impact on gross margin.

Selling, general and administrative expenses, including engineering and development expenses, were \$362 million in the first six months of 2024, as compared to \$360 million in the first six months of 2023. As a percentage of net sales, selling, general and administrative expenses were 3.0% in the first six months of 2024 and 2023.

Amortization of intangible assets was \$28 million in the first six months of 2024, as compared to \$32 million, including a \$2 million impairment charge, in the first six months of 2023.

Interest expense, net was \$53 million in the first six months of 2024, as compared to \$50 million in the first six months of 2023.

Other expense, net, which includes non-income related taxes, foreign exchange gains and losses, gains and losses related to certain derivative instruments and hedging activities, gains and losses on the disposal of fixed assets, the non-service cost components of net periodic benefit cost and other miscellaneous income and expense, was \$21 million in the six months ended June 29, 2024, as compared to \$33 million in the six months ended July 1, 2023. In the first six months of 2024 and 2023, we recognized foreign exchange losses of \$18 million and \$21 million, respectively. In the first six months of 2023, we also recognized a loss of \$5 million related to the impairment of an affiliate.

For the six months ended June 29, 2024, the provision for income taxes was \$87 million, representing an effective tax rate of 22.6% on pretax income before equity in net income of affiliates of \$383 million. For the six months ended July 1, 2023, the provision for income taxes was \$87 million, representing an effective tax rate of 21.1% on pretax income before equity in net income of affiliates of \$412 million, for reasons described below. For further information, see Note 13, "Income Taxes," to the condensed consolidated financial statements included in this Report.

In the first six months of 2024 and 2023, the provision for income taxes was primarily impacted by the level and mix of earnings among tax jurisdictions. In the first six months of 2024, we recognized net tax benefits of \$23 million related to the release of tax reserves and audit settlements at foreign subsidiaries, restructuring charges and various other items. In the first six months of 2023, we recognized net tax benefits of \$17 million related to the release of valuation allowances on deferred tax assets of a foreign subsidiary, the release of tax reserves at foreign subsidiaries, restructuring charges and various other items.

Excluding these items, the effective tax rate for the first six months of 2024 and 2023 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 \$25 million in the first six months of 2024, as compared to \$26 million in the first six months of 2023.

Net income attributable to Lear was \$283 million, or \$4.92 per diluted share, for the six months ended June 29, 2024, as compared to \$312 million, or \$5.25 per diluted share, for the six months ended July 1, 2023. Net income and diluted net income per share decreased for the reasons described above.

*Reportable Operating Segments*

We have two reportable operating segments: Seating and E-Systems. For a description of our reportable operating segments, see "Executive Overview" and "Three Months Ended June 29, 2024 vs. Three Months Ended July 1, 2023 — Reportable Operating Segments" above.

Seating

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

	Six Months Ended	
	June 29, 2024	July 1, 2023
Net sales	\$ 8,924.6	\$ 8,921.1
Segment earnings <sup>(1)</sup>	517.6	578.7
Margin	5.8 %	6.5 %

<sup>(1)</sup> See definition above

Seating net sales were \$8.9 billion for both the six months ended June 29, 2024 and July 1, 2023. New business and our acquisition of IGB favorably impacted net sales by \$230 million and \$67 million, respectively. These increases were offset by lower production volumes on Lear platforms, which reduced net sales by \$327 million. Commercial recoveries were partially offset by the impact of selling price reductions and foreign exchange rate fluctuations.

Segment earnings, including restructuring costs, and the related margin on net sales were \$518 million and 5.8% for the six months ended June 29, 2024, as compared to \$579 million and 6.5% for the six months ended July 1, 2023. Lower production volumes on Lear platforms, net of new business, reduced segment earnings by \$36 million. Higher restructuring costs also reduced segment earnings by \$30 million. The impact of favorable operating performance, including the benefit of operational restructuring actions, was partially offset by selling price reductions and foreign exchange rate fluctuations.

E-Systems

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

	Six Months Ended	
	June 29, 2024	July 1, 2023
Net sales	\$ 3,082.4	\$ 2,923.6
Segment earnings <sup>(1)</sup>	123.6	95.2
Margin	4.0 %	3.3 %

<sup>(1)</sup> See definition above

E-Systems net sales were \$3.1 billion for the six months ended June 29, 2024, as compared to \$2.9 billion for the six months ended July 1, 2023, an increase of \$159 million or 5%. New business and higher production volumes on Lear platforms favorably impacted net sales by \$130 million and \$51 million, respectively. Commercial recoveries were offset by the impact of selling price reductions and foreign exchange rate fluctuations.

Segment earnings, including restructuring costs, and the related margin on net sales were \$124 million and 4.0% for the six months ended June 29, 2024, as compared to \$95 million and 3.3% for the six months ended July 1, 2023. New business and higher production volumes on Lear platforms increased segment earnings by \$21 million. The impact of favorable operating performance, including the benefit of operational restructuring actions, was partially offset by selling price reductions, impairment charges related to Fisker and higher restructuring costs.

**Other**

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

	Six Months Ended	
	June 29, 2024	July 1, 2023
Net sales	\$ —	\$ —
Segment earnings <sup>(1)</sup>	(183.9)	(178.4)
Margin	N/A	N/A

<sup>(1)</sup> See definition above

Segment earnings related to our other category were (\$184) million in the first six months of 2024, as compared to (\$178) million in the first six months of 2023.

**LIQUIDITY AND CAPITAL RESOURCES**

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

**Cash Provided by Subsidiaries**

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

As of June 29, 2024 and December 31, 2023, cash and cash equivalents of \$672 million and \$803 million, respectively, were held in foreign subsidiaries and can be repatriated, primarily through the repayment of intercompany loans and the payment of dividends. There are no restrictions on the ability of our subsidiaries to pay dividends or make other distributions to Lear that would have a material impact on Lear.

For further information related to potential dividends from our non-U.S. subsidiaries, see Note 9, "Income Taxes," to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023.

**Adequacy of Liquidity Sources**

As of June 29, 2024, we had \$950 million of cash and cash equivalents on hand and \$2.0 billion in available borrowing capacity under our credit agreement. Together with cash provided by operating activities, we believe that this will enable us to meet our liquidity needs for the foreseeable future and to satisfy ordinary course business obligations. In addition, we expect to continue to pay quarterly cash dividends and repurchase shares of our common stock pursuant to our authorized common stock share repurchase program, although such actions are at the discretion of our Board and will depend upon our financial condition, results of operations, capital requirements, prevailing market conditions, alternative uses of capital and other factors that our Board may consider at its discretion.

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

For further discussion of the risks and uncertainties affecting our cash flows from operations and our overall liquidity, see "— Executive Overview" above, "— Forward-Looking Statements" below and Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2023.

**Cash Flows**

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

	Six Months Ended		
	June 29, 2024	July 1, 2023	Increase (Decrease) in Cash Flow
Consolidated net income and depreciation and amortization	\$ 631	\$ 649	\$ (18)
Net change in working capital items:			
Accounts receivable	(556)	(775)	219
Inventory	21	(74)	95
Accounts payable	186	410	(224)
Accrued liabilities and other	(16)	111	(127)
Net change in working capital items	(365)	(328)	(37)
Other	(9)	(45)	36
Net cash provided by operating activities	<u>\$ 257</u>	<u>\$ 276</u>	<u>\$ (19)</u>
Net cash used in investing activities	<u>\$ (230)</u>	<u>\$ (450)</u>	<u>\$ 220</u>
Net cash used in financing activities	<u>\$ (251)</u>	<u>\$ (48)</u>	<u>\$ (203)</u>

*Operating Activities*

In the first six months of 2024 and 2023, net cash provided by operating activities was \$257 million and \$276 million, respectively.

*Investing Activities*

Net cash used in investing activities was \$230 million in the first six months of 2024, as compared to \$450 million in the first six months of 2023. In the first six months of 2023, we paid \$175 million for our acquisition of IGB. Capital spending was \$234 million in the first six months of 2024, as compared to \$280 million in the first six months of 2023. Capital spending is estimated to be \$650 million in 2024.

*Financing Activities*

Net cash used in financing activities was \$251 million in the first six months of 2024, as compared to \$48 million in the first six months of 2023. In the first six months of 2024, we paid \$107 million for repurchases of our common stock, \$89 million in dividends to Lear stockholders and \$40 million in dividends to noncontrolling interest holders. In the first six months of 2023, we borrowed \$150 million under our Term Loan and paid \$53 million for repurchases of our common stock, \$92 million in dividends to Lear stockholders and \$46 million in dividends to noncontrolling interest holders.

**Capitalization***Short-Term Borrowings*

We utilize uncommitted lines of credit as needed for our short-term working capital fluctuations. As of June 29, 2024 and December 31, 2023, we had lines of credit from banks totaling \$356 million and \$338 million, respectively. As of June 29, 2024 and December 31, 2023, we had short-term debt balances outstanding related to draws on our lines of credit of \$27 million and \$28 million, respectively.

*Senior Notes and Credit Agreement*

For information related to our senior notes and credit agreement, see Note 8, "Debt," to the condensed consolidated financial statements included in this Report and Note 7, "Debt," to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023.

### *Term Loan*

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

For further information related to our acquisition of IGB and our Term Loan, see Note 2, "Acquisition," and Note 8, "Debt," to the condensed consolidated financial statements included in this Report.

### *Common Stock Share Repurchase Program and Quarterly Cash Dividends*

For information related to our common stock share repurchase program and dividends, see "— Executive Overview — Share Repurchase Program and Quarterly Cash Dividends" above, Note 15, "Comprehensive Income (Loss) and Equity," to the condensed consolidated financial statements included in this Report and Note 12, "Capital Stock, Accumulated Other Comprehensive Loss and Equity," to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023.

### **Commodity Prices and Availability**

Raw material, energy and commodity costs can be volatile, reflecting, among other things, changes in supply and demand, logistics issues, global trade and tariff policies, and geopolitical issues. We have commodity price risk with respect to purchases of certain raw materials, including steel, copper, diesel fuel, chemicals, resins and leather. Our primary commodity cost exposures relate to steel, copper and leather. We have developed and implemented strategies to mitigate the impact of such costs through the selective in-sourcing of components, the continued consolidation of our supply base, longer-term purchase commitments, contractual recovery mechanisms and the selective expansion of low-cost country sourcing and engineering, as well as value engineering and product benchmarking. Further, the majority of the steel used in our products is comprised of fabricated components that are integrated into a seat system, such as seat frames, recliner mechanisms, seat tracks and other mechanical components. Therefore, our exposure to changes in steel prices is primarily indirect, through purchased components. Additionally, approximately 88% of our copper purchases and a significant portion of our leather and direct steel purchases are subject to price index agreements with our customers and suppliers. Certain of these strategies also may limit our opportunities in a declining commodity price environment. In the current environment of elevated raw material, energy and commodity costs, these strategies, together with commercial negotiations with our customers and suppliers, have offset a significant portion of the adverse impact. If these costs increase, it could have an adverse impact on our operating results in the foreseeable future.

See "— Forward-Looking Statements" below and Item 1A, "Risk Factors — Increases in the costs and restrictions on the availability of raw materials, energy, commodities and product components could adversely affect our financial performance," in our Annual Report on Form 10-K for the year ended December 31, 2023.

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

### **OTHER MATTERS**

#### **Legal and Environmental Matters**

We are involved from time to time in various legal proceedings and claims, including, without limitation, commercial and contractual disputes, product liability claims, and environmental and other matters. As of June 29, 2024, we have recorded reserves for pending legal disputes, including commercial and contractual disputes, product liability claims and other legal matters, of \$14 million. In addition, as of June 29, 2024, we have recorded reserves for warranty and recall matters of \$32 million and environmental matters of \$5 million. Although these reserves were determined in accordance with GAAP, the ultimate outcomes of these matters are inherently uncertain, and actual results may differ significantly from current estimates. For a description of risks related to various legal proceedings and claims, see Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2023. For a more complete description of our outstanding material legal proceedings, see Note 16, "Legal and Other Contingencies," to the condensed consolidated financial statements included in this Report.

#### **Significant Accounting Policies and Critical Accounting Estimates**

Certain of our accounting policies require management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on our historical experience, the terms of existing contracts, our evaluation of trends in the industry, information provided by our customers and suppliers and information available from other outside sources, as appropriate. However, these estimates and assumptions are subject to an inherent degree of uncertainty. Accordingly, actual results in these areas may differ significantly from our estimates.

For a discussion of our significant accounting policies and critical accounting estimates, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Accounting Policies and Critical Accounting Estimates," and Note 2, "Summary of Significant Accounting Policies," to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023. There have been no significant changes in our significant accounting policies or critical accounting estimates during the first six months of 2024.

### Recently Issued Accounting Pronouncements

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

### Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by us or on our behalf. The words "will," "may," "designed to," "outlook," "believes," "should," "anticipates," "plans," "expects," "intends," "estimates," "forecasts" and similar expressions identify certain of these forward-looking statements. We also may provide forward-looking statements in oral statements or other written materials released to the public. All such forward-looking statements contained or incorporated in this Report or in any other public statements which address operating performance, events or developments that we expect or anticipate may occur in the future, including, without limitation, statements related to business opportunities, awarded sales contracts, sales backlog and ongoing commercial arrangements, or statements expressing views about future operating results, are forward-looking statements. Actual results may differ materially from any or all forward-looking statements made by us. Important factors, risks and uncertainties that may cause actual results to differ materially from anticipated results include, but are not limited to:

- general economic conditions in the markets in which we operate, including changes in interest rates or currency exchange rates;
- changes in actual industry vehicle production levels from our current estimates;
- fluctuations in the production of vehicles or the loss of business with respect to, or the lack of commercial success of, a vehicle model for which we are a significant supplier;
- the outcome of customer negotiations and the impact of customer-imposed price reductions;
- increases in the costs and restrictions on the availability of raw materials, energy, commodities, product components and labor and our ability to mitigate such costs and insufficient availability;
- disruptions in relationships with our suppliers;
- the financial condition of and adverse developments affecting our customers and suppliers;
- risks associated with conducting business in foreign countries, including the risk of war or other geopolitical conflicts;
- currency controls and the ability to economically hedge currencies;
- global sovereign fiscal matters and creditworthiness, including potential defaults and the related impacts on economic activity, including the possible effects on credit markets, currency values, monetary unions, international treaties and fiscal policies;
- competitive conditions impacting us and our key customers and suppliers;
- labor disputes, including disruptions, involving us or our significant customers or suppliers or that otherwise affect us;
- the consequences of violations of law by our employees, agents or business partners, including violations related to anti-bribery, competition, export and import, trade sanctions, data privacy, environmental, human rights and other laws;
- the operational and financial success of our joint ventures;
- our ability to attract, develop, engage and retain qualified employees;
- our ability to respond to the evolution of the global transportation industry;
- the outcome of an increased emphasis on global climate change and other sustainability matters by stakeholders;
- the impact of global climate change;
- the impact of pandemics, epidemics, disease outbreaks and other public health crises on our business;
- the impact and timing of program launch costs and our management of new program launches;
- changes in discount rates and the actual return on pension assets;
- impairment charges initiated by adverse industry or market developments;
- our ability to execute our strategic objectives;
- limitations imposed by our existing indebtedness and our ability to access capital markets on commercially reasonable terms;

- disruptions to our information technology systems, or those of our customers or suppliers, including those related to cybersecurity;
- increases in our warranty, product liability or recall costs;
- the outcome of legal or regulatory proceedings to which we are or may become a party;
- the impact of pending legislation and regulations or changes in existing federal, state, local or foreign laws or regulations;
- the impact of regulations on our foreign operations;
- costs associated with compliance with environmental laws and regulations;
- developments or assertions by or against us relating to intellectual property rights;
- the impact of changes in our effective tax rate, the adoption of new tax legislation or exposure to additional income tax liabilities on our profitability;
- the impact of administrative policy, including protectionist trade policies, in the United States and related actions by countries in which we do business; and
- other risks, described in Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2023, and in our other Securities and Exchange Commission filings.

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

### ITEM 3 — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

#### MARKET RISK SENSITIVITY

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

#### Foreign Exchange

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

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

	June 29, 2024	December 31, 2023
Notional amount (contract maturities < 36 months)	\$ 2,892	\$ 2,922
Fair value	9	159

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

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

	Hypothetical Strengthening % <sup>(1)</sup>	Potential Earnings Benefit (Adverse Earnings Impact)	
		June 29, 2024	December 31, 2023
U.S. dollar	10%	\$ 10	\$ 15
Euro	10%	28	34

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

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

	Hypothetical Change % <sup>(2)</sup>	Estimated Change in Fair Value	
		June 29, 2024	December 31, 2023
U.S. dollar	10%	\$ 165	\$ 156
Euro	10%	90	98

<sup>(2)</sup> 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 2023, net sales outside of the United States accounted for 79% of our consolidated net sales, although certain non-U.S. sales are U.S. dollar denominated. We do not enter into foreign exchange contracts to mitigate our translational exposure.

### Interest Rates

Our variable rate obligations are sensitive to changes in interest rates. As of June 29, 2024, we had \$150 million outstanding under our Term Loan. Advances under the Term Loan generally bear interest based on the Daily or Term SOFR (as defined in the Term Loan agreement) plus a margin, determined in accordance with a pricing grid, that ranges from 1.00% to 1.525%. As of June 29, 2024, the interest rate was 6.555%.

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

## ITEM 4 — CONTROLS AND PROCEDURES

### (a) Disclosure Controls and Procedures

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

### (b) Changes in Internal Control over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the fiscal quarter ended June 29, 2024, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.



## LEAR CORPORATION

## 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, 2023. For a description of our outstanding material legal proceedings, see Note 16, "Legal and Other Contingencies," to the condensed consolidated financial statements included in this Report.

## ITEM 1A — RISK FACTORS

There have been no material changes from the risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023.

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

As discussed in Part I — Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Executive Overview — Share Repurchase Program and Quarterly Cash Dividends," and Note 15, "Comprehensive Income (Loss) and Equity," to the condensed consolidated financial statements included in this Report, we have a remaining repurchase authorization of \$1,409.8 million under our ongoing common stock share repurchase program.

A summary of the shares of our common stock repurchased during the quarter ended June 29, 2024, 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)
March 31, 2024 through April 27, 2024	108,272	\$133.70	108,272	\$ 1,455.4
April 28, 2024 through May 25, 2024	132,164	\$127.94	132,164	1,438.5
May 26, 2024 through June 29, 2024	237,496	\$120.80	237,496	1,409.8
Total	<u>477,932</u>	\$125.70	<u>477,932</u>	\$ 1,409.8

## ITEM 5 — OTHER INFORMATION

**Rule 10b5-1 Trading Plan**

During the three months ended June 29, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

## LEAR CORPORATION

## ITEM 6 — EXHIBITS

## Exhibit Index

Exhibit Number	Exhibit Name
* 10.1	<a href="#">Employment Agreement, dated May 16, 2024, by and between Lear Corporation and Nicholas J. Roelli (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 20, 2024).</a>
** 31.1	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer.</a>
** 31.2	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer.</a>
** 32.1	<a href="#">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.</a>
** 32.2	<a href="#">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.</a>
*** 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.
* 104	Cover Page Interactive Data File.
*	Compensatory plan or arrangement.
**	Filed herewith.
***	The XBRL Instance Document and Cover Page Interactive Data File do not appear in the Interactive Data File because their XBRL tags are embedded within the Inline XBRL document.
****	Submitted electronically with the Report.









