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, 2019.

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

For the transition period from __________ to __________.

Commission file number: 001-11311

LEAR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**13-3386776**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

21557 Telegraph Road, Southfield, MI 48033	**(248) 447-1500**
(Address of principal executive offices)	**(Registrant's telephone number, including area code)**

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

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

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

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

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

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

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

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

As of July 23, 2019, the number of shares outstanding of the registrant's common stock was 61,047,143 shares.

LEAR CORPORATION

FORM 10-Q

FOR THE QUARTER ENDED JUNE 29, 2019

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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, 2018.

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

LEAR CORPORATION AND SUBSIDIARIES

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

	June 29, 2019 [1]	December 31, 2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,269.0	$ 1,493.2
Accounts receivable	3,467.7	2,880.3
Inventories	1,240.3	1,196.8
Other	759.3	710.2
Total current assets	6,736.3	6,280.5
LONG-TERM ASSETS:		
Property, plant and equipment, net	2,620.6	2,598.1
Goodwill	1,600.2	1,405.3
Other	1,890.6	1,316.8
Total long-term assets	6,111.4	5,320.2
Total assets	$ 12,847.7	$ 11,600.7
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings	$ 14.6	$ 9.9
Accounts payable and drafts	3,060.8	2,862.8
Accrued liabilities	1,936.9	1,615.0
Current portion of long-term debt	14.7	12.9
Total current liabilities	5,027.0	4,500.6
LONG-TERM LIABILITIES:		
Long-term debt	2,300.1	1,941.0
Other	966.1	640.4
Total long-term liabilities	3,266.2	2,581.4
Redeemable noncontrolling interest	155.0	158.1
EQUITY:		
Preferred stock, 100,000,000 shares authorized (including 10,896,250 Series A convertible preferred stock authorized); no shares outstanding	—	—
Common stock, $0.01 par value, 300,000,000 shares authorized; 64,563,291 shares issued as of June 29, 2019 and December 31, 2018	0.6	0.6
Additional paid-in capital	965.3	1,017.4
Common stock held in treasury, 3,326,172 and 1,623,678 shares as of June 29, 2019 and December 31, 2018, respectively, at cost	(466.6)	(225.1)
Retained earnings	4,435.3	4,113.6
Accumulated other comprehensive loss	(698.2)	(705.8)
Lear Corporation stockholders’ equity	4,236.4	4,200.7
Noncontrolling interests	163.1	159.9
Equity	4,399.5	4,360.6
Total liabilities and equity	$ 12,847.7	$ 11,600.7

(1) Unaudited.

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

LEAR CORPORATION AND SUBSIDIARIES

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

	Three Months Ended		Six Months Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
Net sales	$ 5,007.6	$ 5,580.8	$ 10,167.7	$ 11,314.5
Cost of sales	4,529.4	4,942.7	9,216.3	10,045.0
Selling, general and administrative expenses	157.1	156.8	305.4	312.2
Amortization of intangible assets	15.9	13.1	28.6	26.2
Interest expense	24.5	20.9	45.4	41.6
Other (income) expense, net	13.8	3.7	18.2	(1.9)
Consolidated income before provision for income taxes and equity in net income of affiliates	266.9	443.6	553.8	891.4
Provision for income taxes	73.3	97.7	116.4	175.4
Equity in net income of affiliates	(8.4)	(9.1)	(10.7)	(13.2)
Consolidated net income	202.0	355.0	448.1	729.2
Less: Net income attributable to noncontrolling interests	19.2	23.6	36.4	44.1
Net income attributable to Lear	**$ 182.8**	**$ 331.4**	**$ 411.7**	**$ 685.1**
Basic net income per share available to Lear common stockholders (Note 14)	**$ 2.92**	**$ 4.86**	**$ 6.68**	**$ 10.05**
Diluted net income per share available to Lear common stockholders (Note 14)	**$ 2.92**	**$ 4.83**	**$ 6.66**	**$ 9.99**
Cash dividends declared per share	**$ 0.75**	**$ 0.70**	**$ 1.50**	**$ 1.40**
Average common shares outstanding	**62,191,022**	**66,320,362**	**62,501,419**	**66,701,228**
Average diluted shares outstanding	**62,354,334**	**66,708,040**	**62,734,494**	**67,132,886**
Consolidated comprehensive income (Condensed Consolidated Statements of Equity)	$ 208.4	$ 89.4	$ 456.6	$ 609.4
Less: Comprehensive income attributable to noncontrolling interests	12.3	4.9	37.3	38.6
Comprehensive income attributable to Lear	$ 196.1	$ 84.5	$ 419.3	$ 570.8

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

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LEAR CORPORATION AND SUBSIDIARIES

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

	Three Months Ended June 29, 2019					
	Common Stock	Additional Paid-In Capital	Common Stock Held in Treasury	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Lear Corporation Stockholders' Equity
Balance at March 30, 2019	$ 0.6	$ 961.5	$ (305.6)	$ 4,300.3	$ (711.5)	$ 4,245.3
Comprehensive income (loss):						
Net income	—	—	—	182.8	—	182.8
Other comprehensive income (loss)	—	—	—	—	13.3	13.3
Total comprehensive income (loss)	—	—	—	182.8	13.3	196.1
Stock-based compensation	—	4.8	—	—	—	4.8
Net issuance of 4,732 shares held in treasury in settlement of stock-based compensation	—	(1.0)	0.6	—	—	(0.4)
Repurchase of 1,182,976 shares of common stock at average price of $136.63 per share	—	—	(161.6)	—	—	(161.6)
Dividends declared to Lear Corporation stockholders	—	—	—	(46.9)	—	(46.9)
Dividends declared to non-controlling interest holders	—	—	—	—	—	—
Acquisition of outstanding noncontrolling interest	—	—	—	—	—	—
Redeemable non-controlling interest adjustment	—	—	—	(0.9)	—	(0.9)
Balance at June 29, 2019	$ 0.6	$ 965.3	$ (466.6)	$ 4,435.3	$ (698.2)	$ 4,236.4

	Six Months Ended June 29, 2019					
	Common Stock	Additional Paid-In Capital	Common Stock Held in Treasury	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Lear Corporation Stockholders' Equity
Balance at January 1, 2019	$ 0.6	$ 1,017.4	$ (225.1)	$ 4,113.6	$ (705.8)	$ 4,200.7
Comprehensive income:						
Net income	—	—	—	411.7	—	411.7
Other comprehensive income	—	—	—	—	7.6	7.6
Total comprehensive income	—	—	—	411.7	7.6	419.3
Stock-based compensation	—	14.3	—	—	—	14.3
Net issuance of 284,752 shares held in treasury in settlement of stock-based compensation	—	(66.4)	38.0	(1.2)	—	(29.6)
Repurchase of 1,987,246 shares of common stock at average price of $140.65 per share	—	—	(279.5)	—	—	(279.5)
Dividends declared to Lear Corporation stockholders	—	—	—	(94.6)	—	(94.6)
Dividends declared to non-controlling interest holders	—	—	—	—	—	—
Acquisition of outstanding noncontrolling interest	—	—	—	—	—	—
Redeemable non-controlling interest adjustment	—	—	—	5.8	—	5.8
Balance at June 29, 2019	$ 0.6	$ 965.3	$ (466.6)	$ 4,435.3	$ (698.2)	$ 4,236.4

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

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LEAR CORPORATION AND SUBSIDIARIES

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

	Three Months Ended June 29, 2019			
	Lear Corporation Stockholders' Equity	Non-controlling Interests	Equity	Redeemable Non-controlling Interests
Balance at March 30, 2019	$ 4,245.3	$ 148.4	$ 4,393.7	$ 156.6
Comprehensive income (loss):				
Net income	182.8	18.1	200.9	1.1
Other comprehensive income (loss)	13.3	(3.3)	10.0	(3.6)
Total comprehensive income (loss)	196.1	14.8	210.9	(2.5)
Stock-based compensation	4.8	—	4.8	—
Net issuance of 4,732 shares held in treasury in settlement of stock-based compensation	(0.4)	—	(0.4)	—
Repurchase of 1,182,976 shares of common stock at average price of $136.63 per share	(161.6)	—	(161.6)	—
Dividends declared to Lear Corporation stockholders	(46.9)	—	(46.9)	—
Dividends declared to non-controlling interest holders	—	0.1	0.1	—
Acquisition of outstanding noncontrolling interest	—	(0.2)	(0.2)	—
Redeemable non-controlling interest adjustment	(0.9)	—	(0.9)	0.9
Balance at June 29, 2019	$ 4,236.4	$ 163.1	$ 4,399.5	$ 155.0

	Six Months Ended June 29, 2019			
	Lear Corporation Stockholders' Equity	Non-controlling Interests	Equity	Redeemable Non-controlling Interests
Balance at January 1, 2019	$ 4,200.7	$ 159.9	$ 4,360.6	$ 158.1
Comprehensive income:				
Net income	411.7	34.1	445.8	2.3
Other comprehensive income	7.6	0.5	8.1	0.4
Total comprehensive income	419.3	34.6	453.9	2.7
Stock-based compensation	14.3	—	14.3	—
Net issuance of 284,752 shares held in treasury in settlement of stock-based compensation	(29.6)	—	(29.6)	—
Repurchase of 1,987,246 shares of common stock at average price of $140.65 per share	(279.5)	—	(279.5)	—
Dividends declared to Lear Corporation stockholders	(94.6)	—	(94.6)	—
Dividends declared to non-controlling interest holders	—	(31.2)	(31.2)	—
Acquisition of outstanding noncontrolling interest	—	(0.2)	(0.2)	—
Redeemable non-controlling interest adjustment	5.8	—	5.8	(5.8)
Balance at June 29, 2019	$ 4,236.4	$ 163.1	$ 4,399.5	$ 155.0

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

LEAR CORPORATION AND SUBSIDIARIES

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

	Three Months Ended June 30, 2018					
	Common Stock	Additional Paid-In Capital	Common Stock Held in Treasury	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Lear Corporation Stockholders' Equity
Balance at March 31, 2018	$ 0.7	$ 1,156.4	$ (851.7)	$ 4,474.8	$ (380.8)	$ 4,399.4
Comprehensive income (loss):						
Net income	—	—	—	331.4	—	331.4
Other comprehensive loss	—	—	—	—	(246.9)	(246.9)
Total comprehensive income (loss)	—	—	—	331.4	(246.9)	84.5
Stock-based compensation	—	13.9	—	—	—	13.9
Net issuance of 14,183 shares held in treasury in settlement of stock-based compensation	—	(3.5)	2.1	—	—	(1.4)
Repurchase of 717,989 shares of common stock at average price of $195.35 per share	—	—	(140.3)	—	—	(140.3)
Dividends declared to Lear Corporation stockholders	—	—	—	(47.0)	—	(47.0)
Dividends declared to non-controlling interest holders	—	—	—	—	—	—
Redeemable non-controlling interest adjustment	—	—	—	(9.2)	—	(9.2)
Balance at June 30, 2018	$ 0.7	$ 1,166.8	$ (989.9)	$ 4,750.0	$ (627.7)	$ 4,299.9

	Six Months Ended June 30, 2018					
	Common Stock	Additional Paid-In Capital	Common Stock Held in Treasury	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Lear Corporation Stockholders' Equity
Balance at January 1, 2018	$ 0.7	$ 1,215.4	$ (724.1)	$ 4,171.9	$ (513.4)	$ 4,150.5
Comprehensive income (loss):						
Net income	—	—	—	685.1	—	685.1
Other comprehensive loss	—	—	—	—	(114.3)	(114.3)
Total comprehensive income (loss)	—	—	—	685.1	(114.3)	570.8
Stock-based compensation	—	27.1	—	—	—	27.1
Net issuance of 341,681 shares held in treasury in settlement of stock-based compensation	—	(75.7)	29.9	—	—	(45.8)
Repurchase of 1,547,349 shares of common stock at average price of $191.09 per share	—	—	(295.7)	—	—	(295.7)
Dividends declared to Lear Corporation stockholders	—	—	—	(94.7)	—	(94.7)
Dividends declared to non-controlling interest holders	—	—	—	—	—	—
Adoption of ASU 2016-16	—	—	—	2.3	—	2.3
Affiliate transaction	—	—	—	—	—	—
Redeemable non-controlling interest adjustment	—	—	—	(14.6)	—	(14.6)
Acquisition of outstanding non-controlling interest	—	—	—	—	—	—
Balance at June 30, 2018	$ 0.7	$ 1,166.8	$ (989.9)	$ 4,750.0	$ (627.7)	$ 4,299.9

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

LEAR CORPORATION AND SUBSIDIARIES

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

	Three Months Ended June 30, 2018			
	Lear Corporation Stockholders' Equity	Non-controlling Interests	Equity	Redeemable Non-controlling Interests
Balance at March 31, 2018	$ 4,399.4	$ 155.2	$ 4,554.6	$ 170.3
Comprehensive income (loss):				
Net income	331.4	19.8	351.2	3.8
Other comprehensive loss	(246.9)	(7.6)	(254.5)	(11.1)
Total comprehensive income (loss)	84.5	12.2	96.7	(7.3)
Stock-based compensation	13.9	—	13.9	—
Net issuance of 14,183 shares held in treasury in settlement of stock-based compensation	(1.4)	—	(1.4)	—
Repurchase of 717,989 shares of common stock at average price of $195.35 per share	(140.3)	—	(140.3)	—
Dividends declared to Lear Corporation stockholders	(47.0)	—	(47.0)	—
Dividends declared to non-controlling interest holders	—	(39.9)	(39.9)	(4.7)
Redeemable non-controlling interest adjustment	(9.2)	—	(9.2)	9.2
Balance at June 30, 2018	$ 4,299.9	$ 127.5	$ 4,427.4	$ 167.5

	Six Months Ended June 30, 2018			
	Lear Corporation Stockholders' Equity	Non-controlling Interests	Equity	Redeemable Non-controlling Interests
Balance at January 1, 2018	$ 4,150.5	$ 142.1	$ 4,292.6	$ 153.4
Comprehensive income (loss):				
Net income	685.1	36.8	721.9	7.3
Other comprehensive loss	(114.3)	(2.4)	(116.7)	(3.1)
Total comprehensive income (loss)	570.8	34.4	605.2	4.2
Stock-based compensation	27.1	—	27.1	—
Net issuance of 341,681 shares held in treasury in settlement of stock-based compensation	(45.8)	—	(45.8)	—
Repurchase of 1,547,349 shares of common stock at average price of $191.09 per share	(295.7)	—	(295.7)	—
Dividends declared to Lear Corporation stockholders	(94.7)	—	(94.7)	—
Dividends declared to non-controlling interest holders	—	(59.6)	(59.6)	(4.7)
Adoption of ASU 2016-16	2.3	—	2.3	—
Affiliate transaction	—	14.0	14.0	—
Redeemable non-controlling interest adjustment	(14.6)	—	(14.6)	14.6
Acquisition of outstanding non-controlling interest	—	(3.4)	(3.4)	—
Balance at June 30, 2018	$ 4,299.9	$ 127.5	$ 4,427.4	$ 167.5

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, 2019	Six Months Ended June 30, 2018
Cash Flows from Operating Activities:		
Consolidated net income	$ 448.1	$ 729.2
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	251.9	242.0
Net change in recoverable customer engineering, development and tooling	(59.5)	(3.8)
Loss on extinguishment of debt	10.6	—
Net change in working capital items (see below)	(192.8)	(190.2)
Other, net	(2.4)	(23.5)
Net cash provided by operating activities	455.9	753.7
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(259.3)	(332.2)
Acquisition, net of acquired cash	(320.9)	—
Other, net	0.1	(25.1)
Net cash used in investing activities	(580.1)	(357.3)
Cash Flows from Financing Activities:		
Credit agreement repayments	(3.1)	(3.1)
Short-term borrowings, net	4.7	—
Proceeds from the issuance of senior notes	693.3	—
Repurchase of senior notes	(333.7)	—
Payment of debt issuance and other financing costs	(6.3)	—
Repurchase of common stock	(276.5)	(284.7)
Dividends paid to Lear Corporation stockholders	(95.6)	(96.7)
Dividends paid to noncontrolling interests	(31.2)	(64.3)
Other, net	(56.9)	(58.3)
Net cash used in financing activities	(105.3)	(507.1)
Effect of foreign currency translation	0.6	(22.9)
Net Change in Cash, Cash Equivalents and Restricted Cash	(228.9)	(133.6)
Cash, Cash Equivalents and Restricted Cash as of Beginning of Period	1,519.8	1,500.4
Cash, Cash Equivalents and Restricted Cash as of End of Period	$ 1,290.9	$ 1,366.8
Changes in Working Capital Items:		
Accounts receivable	$ (544.2)	$ (264.4)
Inventories	(42.3)	(69.2)
Accounts payable	196.3	153.1
Accrued liabilities and other	197.4	(9.7)
Net change in working capital items	$ (192.8)	$ (190.2)
Supplementary Disclosure:		
Cash paid for interest	$ 50.8	$ 50.2
Cash paid for income taxes, net of refunds received	$ 109.2	$ 159.0

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

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

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

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

Certain amounts in the prior period’s financial statements have been reclassified to conform to the presentation used in the quarter ended June 29, 2019.

(2) Acquisition

On April 17, 2019, the Company completed the acquisition of Xevo Inc. (“Xevo”), a Seattle-based, global leader in connected car software, by acquiring all of Xevo's outstanding shares for $320.9 million, net of cash acquired. Xevo is a supplier of software solutions for the cloud, cars and mobile devices that are deployed in millions of vehicles worldwide with annual sales of approximately $75 million in 2018.

The acquisition of Xevo has been accounted for as a business combination, and accordingly, the assets acquired and liabilities assumed are included in the accompanying condensed consolidated balance sheet as of June 29, 2019. The operating results and cash flows of Xevo are included in the accompanying condensed consolidated financial statements from the date of acquisition and in the Company's E-Systems segment.

The net purchase price of $320.9 million is subject to adjustment and is net of cash acquired. In addition, the Company incurred transaction costs of $1.5 million in the six months ended June 29, 2019, which have been expensed as incurred and are recorded in selling, general and administrative expenses.

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

Net purchase price	$	320.9
Other assets purchased and liabilities assumed, net	$	1.2
Goodwill		197.5
Intangible assets		122.2
Preliminary purchase price allocation	$	320.9

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

Intangible assets consist primarily of provisional amounts recognized for the fair value of licensing agreements and developed technology and are based on independent appraisals. Licensing agreements represent the fair values of the underlying licensing agreements with Xevo customers with estimated useful lives of approximately five years. Developed technology represents the fair value of Xevo's technology with an estimated useful life of approximately nine years.

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

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

For further information related to acquired assets measured at fair value, see Note 18 "Financial Instruments."

LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

(3) Restructuring

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

In the first half of 2019, the Company recorded charges of $91.0 million in connection with its restructuring actions. These charges consist of $83.2 million recorded as cost of sales and $7.8 million recorded as selling, general and administrative expenses. The restructuring charges consist of employee termination costs of $81.4 million, fixed asset impairment charges of $3.6 million and contract termination costs of $2.0 million, as well as other related costs of $4.0 million. Employee termination benefits were recorded based on existing union and employee contracts, statutory requirements, completed negotiations and Company policy. Fixed asset impairment charges relate to the disposal of buildings, leasehold improvements and/or machinery and equipment with carrying values of $3.6 million in excess of related estimated fair values.

The Company expects to incur approximately $65 million of additional restructuring costs related to activities initiated as of June 29, 2019, and expects that the components of such costs will be consistent with its historical experience. Any future restructuring actions will depend upon market conditions, customer actions and other factors.

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

	Accrual as of January 1, 2019	2019 Charges	Utilization Cash	Utilization Non-cash	Accrual as of June 29, 2019
Employee termination benefits	$ 103.3	$ 81.4	$ (41.3)	$ —	$ 143.4
Asset impairment charges	—	3.6	—	(3.6)	—
Contract termination costs	5.4	2.0	(2.6)	—	4.8
Other related costs	—	4.0	(4.0)	—	—
Total	$ 108.7	$ 91.0	$ (47.9)	$ (3.6)	$ 148.2

(4) Inventories

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

	June 29, 2019	December 31, 2018
Raw materials	$ 912.6	$ 859.4
Work-in-process	111.3	104.6
Finished goods	336.9	346.0
Reserves	(120.5)	(113.2)
Inventories	$ 1,240.3	$ 1,196.8

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

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

During the first six months of 2019 and 2018, the Company capitalized $125.8 million and $67.8 million, respectively, of pre-production E&D costs for which reimbursement is contractually guaranteed by the customer. During the first six months of 2019 and 2018, the Company also capitalized $91.3 million and $100.3 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 2019 and 2018, the Company collected $163.7 million and $165.4 million, respectively, of cash related to E&D and tooling costs.

The classification of recoverable customer E&D and tooling costs related to long-term supply agreements is shown below (in millions):

	June 29, 2019	December 31, 2018
Current	$ 199.8	$ 160.9
Long-term	99.9	80.4
Recoverable customer E&D and tooling	$ 299.7	$ 241.3

(6) Long-Term Assets

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

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

	June 29, 2019	December 31, 2018
Land	$ 115.7	$ 116.8
Buildings and improvements	822.3	809.3
Machinery and equipment	3,693.3	3,463.3
Construction in progress	347.3	389.3
Total property, plant and equipment	4,978.6	4,778.7
Less – accumulated depreciation	(2,358.0)	(2,180.6)
Property, plant and equipment, net	$ 2,620.6	$ 2,598.1

Depreciation expense was $112.4 million and $108.7 million in the three months ended June 29, 2019 and June 30, 2018, respectively, and $223.3 million and $215.8 million in the six months ended June 29, 2019 and June 30, 2018, respectively.

The Company monitors its long-lived assets for impairment indicators on an ongoing basis in accordance with GAAP. If impairment indicators exist, the Company performs the required impairment analysis by comparing the undiscounted cash flows expected to be generated from the long-lived assets to the related net book values. If the net book value exceeds the undiscounted cash flows, an impairment loss is measured and recognized. Except as discussed below, the Company does not believe that there were any indicators that would have resulted in long-lived asset impairment charges as of June 29, 2019. The Company will, however, continue to assess the impact of any significant industry events on the realization of its long-lived assets.

In the first six months of 2019 and 2018, the Company recognized fixed asset impairment charges of $3.6 million and $1.6 million, respectively, in conjunction with its restructuring actions (Note 3, "Restructuring").

(7) Goodwill

A summary of the changes in the carrying amount of goodwill, by operating segment, in the six months ended June 29, 2019, is shown below (in millions):

	Seating	E-Systems	Total
Balance at January 1, 2019	$ 1,244.3	$ 161.0	$ 1,405.3
Acquisition	—	197.5	197.5
Foreign currency translation and other	(2.4)	(0.2)	(2.6)
Balance at June 29, 2019	$ 1,241.9	$ 358.3	$ 1,600.2

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

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

(8) Debt

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

	June 29, 2019				
Debt Instrument	Long-Term Debt	Unamortized Debt Issuance Costs	Unamortized Original Issue Discount	Long-Term Debt, Net	Weighted Average Interest Rate
Credit Agreement — Term Loan Facility	$ 239.0	$ (1.2)	$ —	$ 237.8	3.62%
5.25% Senior Notes due 2025 (the "2025 Notes")	650.0	(4.6)	—	645.4	5.25%
3.8% Senior Notes due 2027 (the "2027 Notes")	750.0	(5.0)	(4.3)	740.7	3.885%
4.25% Senior Notes due 2029 (the "2029 Notes")	375.0	(3.0)	(1.2)	370.8	4.288%
5.25% Senior Notes due 2049 (the "2049 Notes")	325.0	(3.3)	(5.4)	316.3	5.363%
Other	3.8	—	—	3.8	N/A
	$ 2,342.8	$ (17.1)	$ (10.9)	2,314.8	
Less — Current portion				(14.7)	
Long-term debt				$ 2,300.1	

LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Senior Notes

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

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

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

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

In connection with these transactions, the Company recognized a loss of $10.6 million on the extinguishment of debt in the three and six months ended June 29, 2019, and paid related issuance costs of $6.3 million.

Covenants

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

As of June 29, 2019, the Company was in compliance with all covenants under the indentures governing the Notes.

Credit Agreement

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

As of June 29, 2019 and December 31, 2018, there were no borrowings outstanding under the Revolving Credit Facility and $239.0 million and $242.2 million, respectively, of borrowings outstanding under the Term Loan Facility. In the first six months of 2019, the Company made required principal payments of $3.1 million under the Term Loan Facility.

Advances under the Revolving Credit Facility and the Term Loan Facility generally bear interest based on (i) the Eurocurrency Rate (as defined in the Credit Agreement) or (ii) the Base Rate (as defined in the Credit Agreement) plus a margin, determined in accordance with a pricing grid. The range and the rate as of June 29, 2019, are shown below (in percentages):

	Eurocurrency Rate			Base Rate		
	Minimum	Maximum	Rate as of June 29, 2019	Minimum	Maximum	Rate as of June 29, 2019
Revolving Credit Facility	1.00%	1.60%	1.10%	0.00%	0.60%	0.10%
Term Loan Facility	1.125%	1.90%	1.25%	0.125%	0.90%	0.25%

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

Covenants

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

As of June 29, 2019, the Company was in compliance with all covenants under the Credit Agreement.

Other

As of June 29, 2019, other long-term debt consists of amounts outstanding under finance leases.

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

(9) Leases

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

Transition

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

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

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

Accounting Policy

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

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

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

Discount Rate

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

Right-of-Use Assets and Lease Obligations

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

	June 29, 2019
Right-of-use assets under operating leases:	
Other long-term assets	$ 447.6
Lease obligations under operating leases:	
Accrued liabilities	$ 108.3
Other long-term liabilities	347.2
	$ 455.5

Maturities of lease obligations as of June 29, 2019, are shown below (in millions):

	June 29, 2019
2019 [(1)]	$ 65.7
2020	110.4
2021	85.8
2022	63.0
2023	46.0
Thereafter	144.2
Total undiscounted cash flows	515.1
Less: Imputed interest	(59.6)
Lease obligations under operating leases	$ 455.5

[(1)] For the remaining six months

The Company has entered into two lease contracts, of which, one is expected to commence in the third quarter of 2019 and the other is expected to commence in the third quarter of 2021. The aggregate related right-of-use assets and corresponding lease obligations are expected to be approximately $110 million. Both contracts have a lease term of approximately ten years.

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

	Six Months Ended June 29, 2019
Non-cash activity:	
Right-of-use assets obtained in exchange for operating lease obligations	$ 66.1
Operating cash flows:	
Cash paid related to operating lease obligations	$ 66.5

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

	Three Months Ended June 29, 2019	Six Months Ended June 29, 2019
Operating lease expense	$ 35.0	$ 67.5
Short-term lease expense	4.6	9.0
Variable lease expense	1.2	1.8
Total lease expense	$ 40.8	$ 78.3

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

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

In the three and six months ended June 30, 2018, the Company recorded rent expense of $39.9 million and $81.3 million, respectively.

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

	June 29, 2019
Weighted average remaining lease term (in years)	6.6
Weighted average discount rate	3.8%

The Company has entered into certain finance lease agreements which are not material to the condensed consolidated financial statements. See Note 8, "Debt," to the condensed consolidated financial statements included in this Report.

(10) Pension and Other Postretirement Benefit Plans

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

Net Periodic Pension and Other Postretirement Benefit (Credit) Cost

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

	Three Months Ended				Six Months Ended			
	June 29, 2019		June 30, 2018		June 29, 2019		June 30, 2018	
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
Service cost	$ —	$ 1.6	$ —	$ 1.8	$ —	$ 3.2	$ —	$ 3.5
Interest cost	4.7	3.6	4.9	3.7	9.3	7.3	9.9	7.5
Expected return on plan assets	(5.1)	(5.2)	(6.9)	(5.8)	(10.1)	(10.4)	(13.8)	(11.7)
Amortization of actuarial loss	0.4	1.9	0.5	1.5	0.9	3.9	1.0	3.1
Settlement loss	—	—	—	—	0.1	—	0.2	—
Net periodic benefit (credit) cost	$ —	$ 1.9	$ (1.5)	$ 1.2	$ 0.2	$ 4.0	$ (2.7)	$ 2.4

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, 2019		June 30, 2018		June 29, 2019		June 30, 2018	
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
Service cost	$ —	$ —	$ —	$ 0.1	$ —	$ 0.1	$ —	$ 0.2
Interest cost	0.6	0.4	0.5	0.3	1.1	0.7	1.0	0.7
Amortization of actuarial (gain) loss	(0.5)	—	(0.5)	0.1	(1.1)	—	(1.1)	0.1
Amortization of prior service credit	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)
Net periodic benefit (credit) cost	$ —	$ 0.3	$ (0.1)	$ 0.4	$ (0.1)	$ 0.7	$ (0.2)	$ 0.8

Contributions

In the six months ended June 29, 2019, employer contributions to the Company’s domestic and foreign defined benefit pension plans were $5.9 million.

The Company expects contributions to its domestic and foreign defined benefit pension plans to be approximately $5 million to $10 million in 2019. The Company may elect to make contributions in excess of minimum funding requirements in response to investment performance or changes in interest rates or when the Company believes that it is financially advantageous to do so and based on its other cash requirements.

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

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

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

The Company records a contract liability for advances received from its customers. As of June 29, 2019, there were no significant contract liabilities recorded. Further, there were no significant contract liabilities recognized in revenue during the first six months of 2019.

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

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

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

	Three Months Ended					
	June 29, 2019			June 30, 2018		
	Seating	E-Systems	Total	Seating	E-Systems	Total
North America	$ 1,597.9	$ 274.5	$ 1,872.4	$ 1,711.1	$ 272.7	$ 1,983.8
Europe and Africa	1,461.5	537.9	1,999.4	1,738.1	640.4	2,378.5
Asia	659.2	306.6	965.8	668.4	351.1	1,019.5
South America	120.8	49.2	170.0	157.1	41.9	199.0
	$ 3,839.4	$ 1,168.2	$ 5,007.6	$ 4,274.7	$ 1,306.1	$ 5,580.8

	Six Months Ended					
	June 29, 2019			June 30, 2018		
	Seating	E-Systems	Total	Seating	E-Systems	Total
North America	$ 3,189.0	$ 559.5	$ 3,748.5	$ 3,451.2	$ 587.7	$ 4,038.9
Europe and Africa	3,015.8	1,155.0	4,170.8	3,490.3	1,331.4	4,821.7
Asia	1,310.6	610.9	1,921.5	1,354.5	709.1	2,063.6
South America	237.7	89.2	326.9	308.6	81.7	390.3
	$ 7,753.1	$ 2,414.6	$ 10,167.7	$ 8,604.6	$ 2,709.9	$ 11,314.5

(12) Other (Income) Expense, Net

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

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

	Three Months Ended		Six Months Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
Other expense	$ 16.7	$ 6.5	$ 27.3	$ 10.8
Other income	(2.9)	(2.8)	(9.1)	(12.7)
Other (income) expense, net	$ 13.8	$ 3.7	$ 18.2	$ (1.9)

In the three and six months ended June 29, 2019, other expense includes net foreign currency transaction losses of $1.4 million and $7.2 million, respectively. In the three and six months ended June 29, 2019, other expense also includes a loss of $10.6 million on the extinguishment of debt (Note 8, "Debt").

In the three and six months ended June 30, 2018, other expense includes net foreign currency transaction losses $1.6 million and $2.4 million, respectively. In the six months ended June 30, 2018, other income includes a gain of $10.0 million related to gaining control of an affiliate. For further information related to obtaining control of an affiliate, see Note 5, "Investments in Affiliates and Other Related Party Transactions," to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

(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, 2019 and June 30, 2018, is shown below (in millions, except effective tax rates):

	Three Months Ended		Six Months Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
Provision for income taxes	$ 73.3	$ 97.7	$ 116.4	$ 175.4
Pretax income before equity in net income of affiliates	$ 266.9	$ 443.6	$ 553.8	$ 891.4
Effective tax rate	27.5%	22.0%	21.0%	19.7%

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

	Six Months Ended	
	June 29, 2019	June 30, 2018
Restructuring charges and various other items	$ 26.6	$ 6.5
Valuation allowances on deferred tax assets of a foreign subsidiary	(10.4)	35.1
Share-based compensation	3.2	10.4
Increase in foreign withholding tax on certain undistributed foreign earnings	—	(22.0)
Change in tax status of certain affiliates	18.4	—
	$ 37.8	$ 30.0

In addition, in the first six months of 2018, the Company recognized a gain of $10.0 million related to obtaining control of an affiliate, for which no tax expense was provided.

Excluding the items above, the effective tax rate for the first six months of 2019 and 2018 approximated the U.S. federal statutory income tax rate of 21%, adjusted for income taxes on foreign earnings, losses and remittances, valuation allowances, tax credits, income tax incentives and other permanent items.

The Company’s current and future provision for income taxes is impacted by the initial recognition of and changes in valuation allowances in certain countries. The Company intends to maintain these allowances until it is more likely than not that the deferred tax assets will be realized. The Company’s future provision for income taxes will include no tax benefit with respect to losses incurred and, except for certain jurisdictions, no tax expense with respect to income generated in these countries until the respective valuation allowances are eliminated. Accordingly, income taxes are impacted by changes in valuation allowances and the mix of earnings among jurisdictions. The Company evaluates the realizability of its deferred tax assets on a quarterly basis. In completing this evaluation, the Company considers all available evidence in order to determine whether, based on the weight of the evidence, a valuation allowance for its deferred tax assets is necessary. Such evidence includes historical results, future reversals of existing taxable temporary differences and expectations for future taxable income (exclusive of the reversal of temporary differences and carryforwards), as well as the implementation of feasible and prudent tax planning strategies. If, based on the weight of the evidence, it is more likely than not that all or a portion of the Company’s deferred tax assets will not be realized, a valuation allowance is recorded. If operating results improve or decline on a continual basis in a particular jurisdiction, the Company’s decision regarding the need for a valuation allowance could change, resulting in either the initial recognition or reversal of a valuation allowance in that jurisdiction, which could have a significant impact on income tax expense in the period recognized and subsequent periods. In determining the provision for income taxes for financial statement purposes, the Company makes certain estimates and judgments, which affect its evaluation of the carrying value of its deferred tax assets, as well as its calculation of certain tax liabilities.

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

LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

(14) Net Income Per Share Attributable to Lear

Basic net income per share available to Lear common stockholders is computed using the two-class method by dividing net income attributable to Lear, after deducting the redemption adjustment related to the redeemable noncontrolling interest, by the average number of common shares outstanding during the period. Common shares issuable upon the satisfaction of certain conditions pursuant to a contractual agreement are considered common shares outstanding and are included in the computation of basic net income per share available to Lear common stockholders.

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

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

	Three Months Ended		Six Months Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
Net income attributable to Lear	$ 182.8	$ 331.4	$ 411.7	$ 685.1
Redeemable noncontrolling interest adjustment	(0.9)	(9.2)	5.8	(14.6)
Net income available to Lear common stockholders	$ 181.9	$ 322.2	$ 417.5	$ 670.5
Average common shares outstanding	62,191,022	66,320,362	62,501,419	66,701,228
Dilutive effect of common stock equivalents	163,312	387,678	233,075	431,658
Average diluted shares outstanding	62,354,334	66,708,040	62,734,494	67,132,886
Basic net income per share available to Lear common stockholders	$ 2.92	$ 4.86	$ 6.68	$ 10.05
Diluted net income per share available to Lear common stockholders	$ 2.92	$ 4.83	$ 6.66	$ 9.99

For further information related to the redeemable noncontrolling interest adjustment, see Note 15, "Comprehensive Income and Equity."

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

(15) Comprehensive Income and Equity

Comprehensive Income

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

Accumulated Other Comprehensive Loss

A summary of changes, net of tax, in accumulated other comprehensive loss for the three and six months ended June 29, 2019, is shown below (in millions):

	Three Months Ended June 29, 2019	Six Months Ended June 29, 2019
Defined benefit plans:		
Balance at beginning of period	$ (172.5)	$ (172.8)
Reclassification adjustments (net of tax expense of $— million and $0.4 million in the three and six months ended June 29, 2019, respectively)	1.6	3.2
Other comprehensive loss recognized during the period (net of tax impact of $— million in the three and six months ended June 29, 2019)	(3.0)	(4.3)
Balance at end of period	$ (173.9)	$ (173.9)
Derivative instruments and hedging:		
Balance at beginning of period	$ (9.0)	$ (9.7)
Reclassification adjustments (net of tax benefit of $2.7 million and $4.8 million in the three and six months ended June 29, 2019, respectively)	(10.0)	(17.1)
Other comprehensive income recognized during the period (net of tax expense of $5.0 million and $7.3 million in the three and six months ended June 29, 2019, respectively)	17.8	25.6
Balance at end of period	$ (1.2)	$ (1.2)
Foreign currency translation:		
Balance at beginning of period	$ (530.0)	$ (523.3)
Other comprehensive income recognized during the period (net of tax impact of $— million in the three and six months ended June 29, 2019)	6.9	0.2
Balance at end of period	$ (523.1)	$ (523.1)
Total accumulated other comprehensive loss	$ (698.2)	$ (698.2)

In the three months ended June 29, 2019, foreign currency translation adjustments are primarily related to the weakening of the Chinese renminbi relative to the U.S. dollar. In the six months ended June 29, 2019, foreign currency translation adjustments are primarily related to the weakening of the Euro relative to the U.S. dollar and include pretax gains of $0.1 million related to intercompany transactions for which settlement is not planned or anticipated in the foreseeable future.

LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

A summary of changes, net of tax, in accumulated other comprehensive loss for the three and six months ended June 30, 2018, is shown below (in millions):

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Defined benefit plans:		
Balance at beginning of period	$ (181.7)	$ (184.0)
Reclassification adjustments (net of tax expense of $0.3 million and $0.6 million in the three and six months ended June 30, 2018, respectively)	1.1	2.4
Other comprehensive income recognized during the period (net of tax impact of $— million in the three and six months ended June 30, 2018)	2.2	3.2
Balance at end of period	$ (178.4)	$ (178.4)
Derivative instruments and hedging:		
Balance at beginning of period	$ 14.5	$ (22.9)
Reclassification adjustments (net of tax benefit of $0.2 million and $0.9 million in the three and six months ended June 30, 2018, respectively)	(1.1)	(3.5)
Other comprehensive income (loss) recognized during the period (net of tax (benefit) expense of ($8.9) million and $2.1 million in the three and six months ended June 30, 2018, respectively)	(32.1)	7.7
Balance at end of period	$ (18.7)	$ (18.7)
Foreign currency translation:		
Balance at beginning of period	$ (213.6)	$ (306.5)
Other comprehensive loss recognized during the period (net of tax impact of $— million in the three and six months ended June 30, 2018)	(217.0)	(124.1)
Balance at end of period	$ (430.6)	$ (430.6)
Total accumulated other comprehensive loss	$ (627.7)	$ (627.7)

In the three and six months ended June 30, 2018, foreign currency translation adjustments are primarily related to weakening of the Euro, the Chinese renminbi and the Brazilian real relative to the U.S. dollar and include pretax losses of $0.6 million and $0.9 million, respectively, related to intercompany transactions for which settlement is not planned or anticipated in the foreseeable future.

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

Lear Corporation Stockholders' Equity

Common Stock Share Repurchase Program

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

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

Six Months Ended June 29, 2019				As of June 29, 2019
Aggregate Repurchases [1]	Cash paid for Repurchases	Number of Shares	Average Price per Share [2]	Remaining Purchase Authorization
$ 279.5	$ 276.5	1,987,246	$ 140.65	$ 1,303.5

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

Since the first quarter of 2011, the Company's Board of Directors has authorized $5.8 billion in share repurchases under the common stock share repurchase program. As of the end of the second quarter of 2019, the Company has repurchased, in aggregate, $4.5 billion of its outstanding common stock, at an average price of $89.31 per share, excluding commissions and related fees.

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

In addition to shares repurchased under the Company’s common stock share repurchase program described above, the Company classified shares withheld from the settlement of the Company’s restricted stock unit and performance share awards to cover tax withholding requirements as common stock held in treasury in the accompanying condensed consolidated balance sheets as of June 29, 2019 and December 31, 2018.

Quarterly Dividend

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

	Six Months Ended	
	June 29, 2019	June 30, 2018
Dividends declared	$ 94.6	$ 94.7
Dividends paid	95.6	96.7

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

Redeemable Noncontrolling Interest

In accordance with GAAP, the Company records redeemable noncontrolling interests at the greater of (1) the initial carrying amount adjusted for the noncontrolling interest holder’s share of total comprehensive income or loss and dividends ("noncontrolling interest carrying value") or (2) the redemption value as of and based on conditions existing as of the reporting date. Required redeemable noncontrolling interest adjustments are recorded as an increase to redeemable noncontrolling interests, with an offsetting adjustment to retained earnings. The redeemable noncontrolling interest is classified in mezzanine equity in the accompanying condensed consolidated balance sheets as of June 29, 2019 and December 31, 2018.

For further information related to the redeemable noncontrolling interest adjustment, see Note 14, "Net Income Per Share Attributable to Lear," as well as Note 5, "Investments in Affiliates and Other Related Party Transactions," to the consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

Noncontrolling Interests

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

(16) Legal and Other Contingencies

As of June 29, 2019 and December 31, 2018, the Company had recorded reserves for pending legal disputes, including commercial disputes and other matters, of $14.1 million and $11.0 million, respectively. Such reserves reflect amounts recognized in accordance with GAAP and exclude the cost of legal representation. Product liability and warranty reserves are recorded separately from legal reserves, as described below.

Commercial Disputes

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

Product Liability and Warranty Matters

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

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

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

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

A summary of the changes in reserves for product liability and warranty claims for the six months ended June 29, 2019, is shown below (in millions):

Balance at January 1, 2019	$	28.5
Expense, net (including changes in estimates)		6.7
Settlements		(8.6)
Foreign currency translation and other		0.2
Balance at June 29, 2019	$	26.8

Environmental Matters

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

As of June 29, 2019 and December 31, 2018, the Company had recorded environmental reserves of $8.9 million and $9.0 million, respectively. The Company does not believe that the environmental liabilities associated with its current and former properties will have a material adverse impact on its business, financial condition, results of operations or cash flows; however, no assurances can be given in this regard.

Other Matters

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

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

(17) Segment Reporting

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

The other category includes unallocated costs related to corporate headquarters, regional headquarters and the elimination of intercompany activities, none of which meets the requirements for being classified as an operating segment. Corporate and regional headquarters costs include various support functions, such as information technology, corporate finance, legal, executive administration and human resources, as well as advanced engineering expenses.

The Company evaluates the performance of its operating segments based primarily on (i) revenues from external customers, (ii) pretax income before equity in net income of affiliates, interest expense and other (income) 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, 2019			
	Seating	E-Systems	Other	Consolidated
Revenues from external customers	$ 3,839.4	$ 1,168.2	$ —	$ 5,007.6
Segment earnings [(1)]	283.2	84.7	(62.7)	305.2
Depreciation and amortization	83.4	40.9	4.0	128.3
Capital expenditures	80.0	52.5	4.0	136.5
Total assets	7,714.0	3,093.2	2,040.5	12,847.7

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

	Three Months Ended June 30, 2018			
	Seating	E-Systems	Other	Consolidated
Revenues from external customers	$ 4,274.7	$ 1,306.1	$ —	$ 5,580.8
Segment earnings [1]	348.3	175.1	(55.2)	468.2
Depreciation and amortization	81.4	36.9	3.5	121.8
Capital expenditures	113.7	52.4	3.3	169.4
Total assets	7,508.2	2,530.3	2,243.9	12,282.4

	Six Months Ended June 29, 2019			
	Seating	E-Systems	Other	Consolidated
Revenues from external customers	$ 7,753.1	$ 2,414.6	$ —	$ 10,167.7
Segment earnings [1]	535.5	213.0	(131.1)	617.4
Depreciation and amortization	166.3	77.7	7.9	251.9
Capital expenditures	160.2	91.6	7.5	259.3

	Six Months Ended June 30, 2018			
	Seating	E-Systems	Other	Consolidated
Revenues from external customers	$ 8,604.6	$ 2,709.9	$ —	$ 11,314.5
Segment earnings [1]	687.8	365.9	(122.6)	931.1
Depreciation and amortization	161.4	73.5	7.1	242.0
Capital expenditures	226.0	100.6	5.6	332.2

[1] See definition above

For the three months ended June 29, 2019, segment earnings include restructuring charges of $28.3 million, $8.3 million and $0.1 million in the Seating and E-Systems segments and in the other category, respectively. For the six months ended June 29, 2019, segment earnings include restructuring charges of $73.5 million, $17.2 million and $0.3 million in the Seating and E-Systems segments and in the other category, respectively.

For the three months ended June 30, 2018, segment earnings include restructuring charges of $5.9 million, $3.6 million and $0.5 million in the Seating and E-Systems segments and in the other category, respectively. For the six months ended June 30, 2018, segment earnings include restructuring charges of $20.3 million, $5.5 million and $2.6 million in the Seating and E-Systems segments and in the other category, respectively.

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

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

	Three Months Ended		Six Months Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
Segment earnings	$ 305.2	$ 468.2	$ 617.4	$ 931.1
Interest expense	24.5	20.9	45.4	41.6
Other (income) expense, net	13.8	3.7	18.2	(1.9)
Consolidated income before provision for income taxes and equity in net income of affiliates	$ 266.9	$ 443.6	$ 553.8	$ 891.4

(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 Company’s Term Loan Facility approximates its fair value (Level 3 input based on the GAAP fair value hierarchy). The estimated fair value, as well as the carrying value, of the Company's debt instruments are shown below (in millions):

	June 29, 2019	December 31, 2018
Estimated aggregate fair value [1]	$ 2,353.2	$ 1,921.6
Aggregate carrying value [1] [2]	2,339.0	1,967.2

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

Cash, Cash Equivalents and Restricted Cash

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

	June 29, 2019	June 30, 2018
Balance sheet - cash and cash equivalents	$ 1,269.0	$ 1,327.9
Restricted cash included in other current assets	15.5	21.2
Restricted cash included in other long-term assets	6.4	17.7
Statement of cash flows - cash, cash equivalents and restricted cash	$ 1,290.9	$ 1,366.8

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, 2019	December 31, 2018
Current assets	$ 15.7	$ 4.8
Other long-term assets	38.2	42.5
	$ 53.9	$ 47.3

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

Equity Securities Without Readily Determinable Fair Values

Included in other long-term assets in the accompanying condensed consolidated balance sheets as of June 29, 2019 and December 31, 2018, are $20.2 million and $12.7 million, respectively, of investments in equity securities without readily determinable fair values. Such investments are valued at cost, less any impairment, and adjusted for changes resulting from observable, orderly transactions for identical or similar securities.

Derivative Instruments and Hedging Activities

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

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

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

Foreign Exchange

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

LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	June 29, 2019	December 31, 2018
Fair value of foreign currency contracts designated as cash flow hedges:		
Other current assets	$ 32.3	$ 20.6
Other long-term assets	5.6	2.8
Other current liabilities	(3.8)	(8.4)
Other long-term liabilities	(0.6)	(2.0)
	33.5	13.0
Notional amount	$ 1,281.1	$ 1,499.0
Outstanding maturities in months, not to exceed	24	24
Fair value of foreign currency contracts not designated as hedging instruments:		
Other current assets	$ 4.0	$ 6.1
Other current liabilities	(8.7)	(4.8)
	(4.7)	1.3
Notional amount	$ 1,434.3	$ 654.0
Outstanding maturities in months, not to exceed	12	12
Total fair value	$ 28.8	$ 14.3
Total notional amount	$ 2,715.4	$ 2,153.0

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

Interest Rate Swaps

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

Accumulated Other Comprehensive Loss - Derivative Instruments and Hedging

Pretax amounts related to foreign currency and interest rate swap contracts designated as cash flow hedges that were recognized in and reclassified from accumulated other comprehensive loss are shown below (in millions):

	Three Months Ended		Six Months Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
Gains (losses) recognized in accumulated other comprehensive loss:				
Foreign currency contracts	$ 17.6	$ (38.1)	$ 42.4	$ 12.7
Interest rate swap contracts	5.2	(2.9)	(9.5)	(2.9)
	22.8	(41.0)	32.9	9.8
(Gains) losses reclassified from accumulated other comprehensive loss to:				
Net sales	0.5	1.1	1.0	2.8
Cost of sales	(13.2)	(2.4)	(22.9)	(7.2)
Interest expense	0.3	—	0.3	—
	(12.4)	(1.3)	(21.6)	(4.4)
Comprehensive income (loss)	$ 10.4	$ (42.3)	$ 11.3	$ 5.4

As of June 29, 2019 and December 31, 2018, pretax net gains (losses) of approximately $9.6 million and ($1.7) million, respectively, related to the Company’s derivative instruments and hedging activities were recorded in accumulated other comprehensive loss. During the next twelve month period, net gains (losses) expected to be reclassified into earnings are shown below (in millions):

Net gains related to foreign currency contracts	$	28.5
Net losses related to interest rate swap contracts		(2.3)
Total	$	26.2

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

Fair Value Measurements

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

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

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

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

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

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

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

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

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

Items Measured at Fair Value on a Recurring Basis

Fair value measurements and the related valuation techniques and fair value hierarchy level for the Company’s assets and liabilities measured at fair value on a recurring basis as of June 29, 2019 and December 31, 2018, are shown below (in millions):

	June 29, 2019					
	Frequency	**Asset (Liability)**	**Valuation Technique**	**Level 1**	**Level 2**	**Level 3**
Foreign currency contracts, net	Recurring	$ 28.8	Market/ Income	$ —	$ 28.8	$ —
Marketable equity securities	Recurring	$ 53.9	Market	$ 53.9	$ —	$ —

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

The Company determines the fair value of its derivative contracts using quoted market prices to calculate the forward values and then discounts such forward values to the present value. The discount rates used are based on quoted bank deposit or swap interest rates. If a derivative contract is in a net liability position, the Company adjusts these discount rates, if required, by an estimate of the credit spread that would be applied by market participants purchasing these contracts from the Company's counterparties. If an estimate of the credit spread is required, the Company uses significant assumptions and factors other than quoted market rates, which would result in the classification of its derivative liabilities within Level 3 of the fair value hierarchy. As of June 29, 2019 and December 31, 2018, there were no derivative contracts that were classified within Level 3 of the fair value hierarchy. In addition, there were no transfers in or out of Level 3 of the fair value hierarchy in 2019.

Items Measured at Fair Value on a Non-Recurring Basis

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

As a result of the acquisition of Xevo, Level 3 fair value estimates of $122.2 million related to intangible assets are recorded in the accompanying condensed consolidated balance sheet as of June 29, 2019. The estimated fair values of these assets were based on third-party valuations and management's estimates, generally utilizing the income and cost approaches.

For further information related to assets and liabilities measured at fair value on a non-recurring basis, see Note 2, "Acquisition."

As of June 29, 2019, there were no additional significant assets or liabilities measured at fair value on a non-recurring basis.

(19) Accounting Pronouncements

The Company considers the applicability and impact of all ASUs issued by the Financial Accounting Standards Board ("FASB").

Leases

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02, "Leases," which requires lessees to record right-of-use assets and corresponding liabilities on the balance sheet, as well as disclose key information regarding leasing arrangements. On January 1, 2019, the Company adopted the standard by applying the modified retrospective method without the restatement of comparative financial information, as permitted by the transition guidance. See Note 9, "Leases."

Tax Effects from Accumulated Other Comprehensive Income

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

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

Measurement of Credit Losses on Financial Instruments

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

Simplifying the Test for Goodwill Impairment

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

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

Executive Overview

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

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

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

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

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

Industry Overview

Our sales are driven by the number of vehicles produced by the automotive manufacturers, which is ultimately dependent on consumer demand for automotive vehicles, and our content per vehicle. Global automotive industry production volumes in the first six months of 2019, as compared to the first six months of 2018, are shown below (in millions of units):

	Six Months Ended		
	June 29, 2019 [1]	June 30, 2018 [1] [2]	% Change
North America	8.5	8.7	(3)%
Europe and Africa	11.6	12.3	(6)%
Asia	22.0	23.9	(8)%
South America	1.6	1.6	(3)%
Other	0.7	1.1	(38)%
Global light vehicle production	44.4	47.6	(7)%

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

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

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

	Six Months Ended	
	June 29, 2019	June 30, 2018
North America	37%	36%
Europe and Africa	41%	43%
Asia	19%	18%
South America	3%	3%
Total	100%	100%

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

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

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

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

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

Our material cost as a percentage of net sales was 64.8% in the first half of 2019, as compared to 64.7% in the first half of 2018. Raw material, energy and commodity costs can be volatile, reflecting changes in supply and demand and global trade and tariff policies. We have developed and implemented strategies to mitigate the impact of higher raw material, energy and commodity costs, such as the selective in-sourcing of components, the continued consolidation of our supply base, longer-term purchase commitments and the selective expansion of low-cost country sourcing and engineering, as well as value engineering and product benchmarking. However, these strategies, together with commercial negotiations with our customers and suppliers, typically offset only a portion of the adverse impact. Certain of these strategies also may limit our opportunities in a declining commodity environment. In addition, the availability of raw materials, commodities and product components fluctuates from time to time due to factors outside of our control. If these costs increase or availability is restricted, it could have an adverse impact on our operating results in the foreseeable future. See "— Forward-Looking Statements" below and Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2018.

Financial Measures

In evaluating our financial condition and operating performance, we focus primarily on earnings, operating margins, cash flows and return on invested capital. In addition to maintaining and expanding our business with our existing customers in our more established markets, our expansion plans are focused primarily on emerging markets. Asia, and China in particular, continues to present growth opportunities, as major global automotive manufacturers implement production expansion plans and local automotive manufacturers aggressively expand their operations to meet increasing demand in this region. In addition to our wholly owned locations, we currently have twelve operating joint ventures with operations in Asia, as well as two additional joint ventures in North America dedicated to serving Asian automotive manufacturers. We also have aggressively pursued this strategy by selectively increasing our vertical integration capabilities globally, as well as expanding our component manufacturing capacity in Asia, Brazil, Eastern Europe, Mexico and Northern Africa. Furthermore, we have expanded our low-cost engineering capabilities in Asia, Eastern Europe and Northern Africa.

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

Acquisition

On April 17, 2019, we completed the acquisition of Xevo Inc. ("Xevo"), a Seattle-based, global leader in connected car software, by acquiring all of Xevo's outstanding shares for approximately $321 million, net of cash acquired. Xevo is a supplier of software solutions for the cloud, cars and mobile devices that are deployed in millions of vehicles worldwide.

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

Financing Transactions

Senior Notes

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

4.288%. The 2049 Notes have a stated coupon rate of 5.25% and were priced at 98.32% of par, resulting in a yield to maturity of 5.363%.

The net proceeds from the offering were $693 million after original issue discount. The proceeds were used to redeem the $325 million in aggregate principal amount of senior unsecured notes due 2024 (the "2024 Notes") at a redemption price equal to equal to 102.688% of the principal amount of such 2024 Notes, plus accrued interest, as well as to finance the acquisition of Xevo and for general corporate purposes. In connection with these transactions, we recognized a loss of $11 million on the extinguishment of debt in the three and six months ended June 29, 2019, and paid related issuance costs of $6 million.

For further information, see "— Liquidity and Capital Resources — Capitalization — Senior Notes" and Note 8 "Debt," to the condensed consolidated financial statements included in this Report.

Credit Agreement

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

For further information, see Note 8, "Debt," to the condensed consolidated financial statements included in this Report.

Operational Restructuring

In the first half of 2019, we incurred pretax restructuring costs of approximately $91 million and related manufacturing inefficiency charges of approximately $3 million. Any future restructuring actions will depend upon market conditions, customer actions and other factors.

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

Share Repurchase Program and Quarterly Cash Dividends

Since the first quarter of 2011, our Board of Directors has authorized $5.8 billion in share repurchases under our common stock share repurchase program. In the first half of 2019, we repurchased $280 million of shares and have a remaining repurchase authorization of $1.3 billion, which will expire on December 31, 2021.

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

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

Other Matters

In the three months ended June 29, 2019, we recognized tax expense of $10 million related to the establishment of a valuation allowance on deferred tax assets of a foreign subsidiary and net tax benefits of $11 million related to restructuring and various other items. In the six months ended June 29, 2019, we recognized tax benefits of $18 million related to changes in the tax status of certain affiliates, $3 million related to share-based compensation and $27 million related to restructuring and various other items, offset by tax expense of $10 million related to the establishment of a valuation allowance on deferred tax assets of a foreign subsidiary.

In the three months ended June 30, 2018, we recognized net tax benefits of $3 million related to restructuring charges and various other items. In the six months ended June 30, 2018, we recognized tax benefits of $35 million related to the reversal of the valuation allowance on the deferred tax assets of a foreign subsidiary, $10 million related to share-based compensation and $7 million related to restructuring charges and various other items, offset by tax expense of $22 million related to an increase in foreign withholding tax on certain undistributed foreign earnings.

In January 2018, we acquired an additional 20% interest in Changchun Lear FAWSN Automotive Electrical and Electronics Co., Ltd. ("Lear FAWSN") from a joint venture partner and amended the existing joint venture agreement to eliminate the substantive participating rights of the remaining joint venture partner. Prior to the amendment, Lear FAWSN was accounted for under the equity method. In conjunction with obtaining control of Lear FAWSN and the valuation of our prior equity investment in Lear FAWSN at fair value, we recognized a gain of approximately $10 million in the six months ended June 30, 2018.

As discussed above, our results for the three and six months ended months ended June 29, 2019 and June 30, 2018, reflect the following items (in millions):

	Three Months Ended		Six Months Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
Costs related to restructuring actions, including manufacturing inefficiencies of $1 million and $3 million in the three and six months ended June 29, 2019, and $3 million and $9 million in the three and six months ended June 30, 2018	$ 38	$ 13	$ 94	$ 37
Acquisition and other related costs	1	—	2	—
Litigation	1	(17)	1	(17)
Loss on extinguishment of debt	11	—	11	—
Gain related to affiliate	(2)	—	(2)	(10)
Tax benefit, net	(1)	(3)	(38)	(30)

For further information regarding these items, see Note 3, "Restructuring," Note 8, "Debt," and Note 13, "Income Taxes," to the condensed consolidated financial statements included in this Report and Note 5, "Investments in Affiliates and Other Related Party Transactions," to the consolidated financial statement included in our Annual Report on Form 10-K for the year ended December 31, 2018.

This Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," includes forward-looking statements that are subject to risks and uncertainties. For further information regarding other factors that have had, or may have in the future, a significant impact on our business, financial condition or results of operations, see "— Forward-Looking Statements" below and Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2018.

RESULTS OF OPERATIONS

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

	Three Months Ended				Six Months Ended			
	June 29, 2019		June 30, 2018		June 29, 2019		June 30, 2018	
Net sales								
Seating	$ 3,839.4	76.7 %	$ 4,274.7	76.6 %	$ 7,753.1	76.3 %	$ 8,604.6	76.0 %
E-Systems	1,168.2	23.3	1,306.1	23.4	2,414.6	23.7	2,709.9	24.0
Net sales	5,007.6	100.0	5,580.8	100.0	10,167.7	100.0	11,314.5	100.0
Cost of sales	4,529.4	90.5	4,942.7	88.6	9,216.3	90.6	10,045.0	88.8
Gross profit	478.2	9.5	638.1	11.4	951.4	9.4	1,269.5	11.2
Selling, general and administrative expenses	157.1	3.1	156.8	2.8	305.4	3.0	312.2	2.8
Amortization of intangible assets	15.9	0.3	13.1	0.2	28.6	0.3	26.2	0.2
Interest expense	24.5	0.5	20.9	0.4	45.4	0.5	41.6	0.3
Other (income) expense, net	13.8	0.3	3.7	0.1	18.2	0.2	(1.9)	—
Provision for income taxes	73.3	1.4	97.7	1.8	116.4	1.1	175.4	1.5
Equity in net income of affiliates	(8.4)	(0.2)	(9.1)	(0.2)	(10.7)	(0.1)	(13.2)	(0.1)
Net income attributable to noncontrolling interests	19.2	0.4	23.6	0.4	36.4	0.4	44.1	0.4
Net income attributable to Lear	$ 182.8	3.7 %	$ 331.4	5.9 %	$ 411.7	4.0 %	$ 685.1	6.1 %

Three Months Ended June 29, 2019 vs. Three Months Ended June 30, 2018

Net sales in the second quarter of 2019 were $5.0 billion, as compared to $5.6 billion in the second quarter of 2018, a decrease of $573 million or 10%. Lower production volumes on Lear platforms in all regions and net foreign exchange rate fluctuations negatively impacted net sales by $616 million and $224 million, respectively. These decreases were partially offset by the impact of new business in all regions which increased net sales by $286 million.

(in millions)		Cost of Sales
Second quarter 2018	$	4,943
Material cost		(362)
Labor and other		(56)
Depreciation		4
Second quarter 2019	$	4,529

Cost of sales in the second quarter of 2019 was $4.5 billion, as compared to $4.9 billion in the second quarter of 2018. Lower production volumes on Lear platforms in all regions and net foreign exchange rate fluctuations, partially offset by the impact of new business in all regions, reduced cost of sales by $438 million.

Gross profit and gross margin were $478 million and 9.5% of net sales, respectively, in the second quarter of 2019, as compared to $638 million and 11.4% of net sales, respectively, in the second quarter of 2018. Lower production volumes on Lear platforms and net foreign exchange rate fluctuations, partially offset by the impact of new business, negatively impacted gross profit by $116 million. The impact of selling price reductions and, to a lesser extent, higher restructuring costs was partially offset by favorable operating performance, including the benefit of operational restructuring actions. These factors had a corresponding impact on gross margin.

Selling, general and administrative expenses, including engineering and development expenses, were $157 million in the second quarters of 2019 and 2018. As a percentage of net sales, selling, general and administrative expenses were 3.1% in the second quarter of 2019, as compared to 2.8% in the second quarter of 2018. In 2019, selling, general and administrative expenses benefited from lower compensation-related costs, partially offset by expenses of our Xevo acquisition. In 2018, selling, general and administrative expenses benefited from a favorable litigation settlement.

Amortization of intangible assets was $16 million in the second quarter of 2019, as compared to $13 million in the second quarter of 2018, reflecting the acquisition of Xevo.

Interest expense was $25 million in the second quarter of 2019, as compared to $21 million in the second quarter of 2018, reflecting our 2019 financing transactions related to the acquisition of Xevo.

Other expense, net, which includes non-income related taxes, foreign exchange gains and losses, gains and losses related to certain derivative instruments and hedging activities, losses on the extinguishment of debt, gains and losses on the disposal of fixed assets, the non-service cost components of net periodic benefit cost and other miscellaneous income and expense, was $14 million in the second quarter of 2019, as compared to $4 million in the second quarter of 2018. In the second quarter of 2019, we recognized a loss of $11 million related to the extinguishment of debt.

In the second quarter of 2019, the provision for income taxes was $73 million, representing an effective tax rate of 27.5% on pretax income before equity in net income of affiliates of $267 million. In the second quarter of 2018, the provision for income taxes was $98 million, representing an effective tax rate of 22.0% on pretax income before equity in net income of affiliates of $444 million, for the reasons described below.

In the second quarters of 2019 and 2018, the provision for income taxes was primarily impacted by the level and mix of earnings among tax jurisdictions. In the second quarter of 2019, we recognized tax expense of $10 million related to the establishment of a valuation allowance on deferred tax assets of a foreign subsidiary and net tax benefits of $11 million related to restructuring and various other items. In the second quarter of 2018, we recognized net tax benefits of $3 million related to restructuring charges and various other items.

Excluding these items, the effective tax rate for the second quarters of 2019 and 2018 approximated the U.S. federal statutory income tax rate of 21%, adjusted for income taxes on foreign earnings, losses and remittances, valuation allowances, tax credits, income tax incentives and other permanent items.

Equity in net income of affiliates was $8 million in the second quarter of 2019, as compared to $9 million in the second quarter of 2018.

Net income attributable to Lear was $183 million, or $2.92 per diluted share, in the second quarter of 2019, as compared to $331 million, or $4.83 per diluted share, in the second quarter of 2018. Net income and diluted net income per share decreased for the reasons described above. In addition, diluted net income per share was impacted by the decrease in average shares outstanding between periods.

Reportable Operating Segments

We have two reportable operating segments: Seating, which includes complete seat systems and all major seat components, including seat covers and surface materials such as leather and fabric, seat structures and mechanisms, seat foam and headrests, and E-Systems, which includes complete electrical distribution systems, as well as sophisticated electronic control modules, electrification products, connectivity products and software solutions for the cloud, cars and mobile devices. Key components in our electrical distribution portfolio include wire harnesses, terminals and connectors and junction boxes for both ICE and electrification architectures that require management of higher voltage and power. Key components in our electronic control module portfolio include body control modules, wireless receiver and transmitter technology and lighting and audio control modules, as well as portfolios specific to electrification and connectivity trends. Electrification products include charging systems (onboard charging modules, cord set charging equipment and wireless charging systems), battery electronics (battery disconnect units, cell monitoring supervisory systems and integrated total battery control modules) and other power management modules, including converter and inverter systems. Connectivity products include gateway modules and independent communication modules to manage both wired and wireless networks and data in vehicles. In addition to fully functional electronic modules, we offer software that includes cybersecurity, advanced vehicle positioning for automated and autonomous driving applications, roadside modules that communicate real-time traffic information and full capabilities in both dedicated short-range communication ("DSRC") and cellular protocols for vehicle connectivity. Our software solutions also include Xevo Journeyware, a thin-client platform for the cloud, cars and mobile devices that enables consumer commerce, multi-media applications and enterprise services to improve performance and safety, deliver an AI-enhanced driving experience and provide new monetization opportunities for automakers, and Xevo Market, an in-vehicle commerce and service platform that connects customers with their favorite brands and services by delivering highly-contextual offers through the touch screens of their vehicles and vehicle-branded mobile applications.

The financial information presented below is for our two reportable operating segments and our other category for the periods presented. The other category includes unallocated costs related to corporate headquarters, regional headquarters and the elimination of intercompany activities, none of which meets the requirements for being classified as an operating segment. Corporate and regional headquarters costs include various support functions, such as information technology, corporate finance, legal, executive administration and human resources. Financial measures regarding each segment's pretax income before equity in net income of affiliates, interest expense and other (income) 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, 2019	June 30, 2018
Net sales	$ 3,839.4	$ 4,274.7
Segment earnings [(1)]	283.2	348.3
Margin	7.4%	8.1%

[(1)] See definition above

Seating net sales were $3.8 billion in the second quarter of 2019, as compared to $4.3 billion in the second quarter of 2018, a decrease of $435 million or 10%. Lower production volumes on Lear platforms and net foreign exchange rate fluctuations negatively impacted net sales by $489 million and $158 million, respectively. These decreases were partially offset by the impact of new business, which increased net sales by $218 million.

Segment earnings, including restructuring costs, and the related margin on net sales were $283 million and 7.4% in the second quarter of 2019, as compared to $348 million and 8.1% in the second quarter of 2018. Lower production volumes on Lear platforms, partially offset by the impact of new business, negatively impacted segment earnings by $65 million. Favorable operating performance, including the benefit of operational restructuring actions, of $79 million was offset by the impact of selling price reductions, higher restructuring costs and net 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, 2019	June 30, 2018
Net sales	$ 1,168.2	$ 1,306.1
Segment earnings [(1)]	84.7	175.1
Margin	7.3%	13.4%

[(1)] See definition above

E-Systems net sales were $1.2 billion in the second quarter of 2019, as compared to $1.3 billion in the second quarter of 2018, a decrease of $138 million or 11%. Lower production volumes on Lear platforms and net foreign exchange rate fluctuations negatively impacted net sales by $127 million and $66 million, respectively. These decreases were partially offset by the impact of new business, which increased net sales by $68 million.

Segment earnings, including restructuring costs, and the related margin on net sales were $85 million and 7.3% in the second quarter of 2019, as compared to $175 million and 13.4% in the second quarter of 2018. Lower production volumes on Lear platforms, partially offset by the impact of new business, negatively impacted segment earnings by $32 million. Selling price reductions and, to a lesser extent, higher restructuring costs (in response to declining volumes) also negatively impacted segment earnings.

Other

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

	Three Months Ended	
	June 29, 2019	June 30, 2018
Net sales	$ —	$ —
Segment earnings [(1)]	(62.7)	(55.2)
Margin	N/A	N/A

[(1)] See definition above

Segment earnings related to our other category were ($63) million in the second quarter of 2019, as compared to ($55) million in the second quarter of 2018. In the second quarter of 2018, segment earnings benefited from a litigation settlement of $13 million.

Six Months Ended June 29, 2019 vs. Six Months Ended June 30, 2018

Net sales for the six months ended June 29, 2019, were $10.2 billion, as compared to $11.3 billion for the six months ended June 30, 2018, a decrease of $1.1 billion or 10%. Lower production volumes on Lear platforms in all regions and net foreign exchange rate fluctuations negatively impacted net sales by $1,063 million and $497 million, respectively. These decreases were partially offset by the impact of new business in all regions, which increased net sales by $441 million.

(in millions)	Cost of Sales
First six months of 2018	$ 10,045
Material cost	(741)
Labor and other	(96)
Depreciation	8
First six months of 2019	$ 9,216

Cost of sales in the first six months of 2019 were $9.2 billion, as compared to $10.0 billion in the first six months of 2018. Lower production volumes on Lear platforms in all regions and net foreign exchange rate fluctuations, partially offset by the impact of new business in all regions, reduced cost of sales by $876 million.

Gross profit and gross margin were $1.0 billion and 9.4% of net sales, respectively, for the six months ended June 29, 2019, as compared to $1.3 billion and 11.2% of net sales, respectively, for the six months ended June 30, 2018. Lower production volumes on Lear platforms and net foreign exchange rate fluctuations, partially offset by the impact of new business, negatively impacted gross profit by $243 million. The impact of selling price reductions and, to a lesser extent, higher restructuring costs was partially offset by favorable operating performance, including the benefit of operational restructuring actions. These factors had a corresponding impact on gross margin.

Selling, general and administrative expenses, including engineering and development expenses, were $305 million in the first six months of 2019, as compared to $312 million in the first six months of 2018. As a percentage of net sales, selling, general and administrative expenses were 3.0% in the first six months of 2019, as compared to 2.8% in the first six months of 2018. In 2019, selling, general and administrative expenses benefited from lower compensation-related costs and the impact of net foreign exchange fluctuations, partially offset by expenses of our Xevo acquisition and higher restructuring costs.

Amortization of intangible assets was $29 million in the first six months of 2019, as compared to $26 million in the first six months of 2018, reflecting the acquisition of Xevo in the second quarter of 2019.

Interest expense was $45 million in the first six months of 2019, as compared to $42 million in the first six months of 2018, reflecting our second quarter 2019 financing transactions related to the acquisition of Xevo.

Other (income) expense, net, which includes non-income related taxes, foreign exchange gains and losses, gains and losses related to certain derivative instruments and hedging activities, losses on the extinguishment of debt, gains and losses on the disposal of fixed assets, the non-service cost components of net periodic benefit cost and other miscellaneous income and expense, was expense of $18 million for the six months ended June 29, 2019, as compared to income of $2 million for the six months ended June 30, 2018. In the first six months of 2019, we recognized a loss of approximately $11 million on the extinguishment of debt. In the first six months of 2018, we recognized a gain of approximately $10 million related to obtaining control of an affiliate.

For the six months ended June 29, 2019, the provision for income taxes was $116 million, representing an effective tax rate of 21.0% on pretax income before equity in net income of affiliates of $554 million. For the six months ended June 30, 2018, the provision for income taxes was $175 million, representing an effective tax rate of 19.7% on pretax income before equity in net income of affiliates of $891 million, for the reasons described below.

In the first six months of 2019 and 2018, the provision for income taxes was primarily impacted by the level and mix of earnings among tax jurisdictions. In the first six months of 2019, we recognized tax benefits of $18 million related to changes in the tax status of certain affiliates, $3 million related to share-based compensation and $27 million related to restructuring and various other items, offset by tax expense of $10 million related to the establishment of a valuation allowance on deferred tax assets of a foreign subsidiary. In the first six months of 2018, we recognized tax benefits of $35 million related to the reversal of a valuation allowance on the deferred tax assets of a foreign subsidiary, $10 million related to share-based compensation and $7 million related to restructuring charges and various other items, offset by tax expense of $22 million related to an increase in foreign withholding tax on certain undistributed foreign earnings. In addition, we recognized a gain of $10 million related to obtaining control of an affiliate, for which no tax expense was provided.

Excluding these items, the effective tax rate for the first six months of 2019 and 2018 approximated the U.S. federal statutory income tax rate of 21% adjusted for income taxes on foreign earnings, losses and remittances, valuation allowances, tax credits, income tax incentives and other permanent items.

Equity in net income of affiliates was $11 million in the first six months of 2019, as compared to $13 million in the first six months of 2018.

Net income attributable to Lear was $412 million, or $6.66 per diluted share, for the six months ended June 29, 2019, as compared to $685 million, or $9.99 per diluted share, for the six months ended June 30, 2018. Net income and diluted net income per share decreased for the reasons described above. In addition, diluted net income per share was impacted by the decrease in average shares outstanding between periods.

Reportable Operating Segments

For a description of our reportable operating segments, see "Three Months Ended June 29, 2019 vs. Three Months Ended June 30, 2018 - 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, 2019	June 30, 2018
Net sales	$ 7,753.1	$ 8,604.6
Segment earnings [1]	535.5	687.8
Margin	6.9%	8.0%

[1] See definition above

Seating net sales were $7.8 billion for the six months ended June 29, 2019, as compared to $8.6 billion for the six months ended June 30, 2018, a decrease of $852 million or 10%. Lower production volumes on Lear platforms and net foreign exchange rate fluctuations negatively impacted net sales by $805 million and $354 million, respectively. These decreases were partially offset by the impact of new business, which increased net sales by $295 million.

Segment earnings, including restructuring costs, and the related margin on net sales were $536 million and 6.9% for the six months ended June 29, 2019, as compared to $688 million and 8.0% for the six months ended June 30, 2018. Lower production volumes on Lear platforms, partially offset by the impact of new business, negatively impacted segment earnings by $132 million. Favorable operating performance, including the benefit of operational restructuring actions, of $135 million was more than offset by the impact of selling price reductions, higher restructuring costs and net 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, 2019	June 30, 2018
Net sales	$ 2,414.6	$ 2,709.9
Segment earnings [1]	213.0	365.9
Margin	8.8%	13.5%

[1] See definition above

E-Systems net sales were $2.4 billion for the six months ended June 29, 2019, as compared to $2.7 billion for the six months ended June 30, 2018, a decrease of $295 million or 11%. Lower production volumes on Lear platforms and net foreign exchange rate fluctuations negatively impacted net sales by $258 million and $143 million, respectively. These decreases were partially offset by the impact of new business, which increased net sales by $146 million.

Segment earnings, including restructuring costs, and the related margin on net sales were $213 million and 8.8% for the six months ended June 29, 2019, as compared to $366 million and 13.5% for the six months ended June 30, 2018. Lower production volumes on Lear platforms, partially offset by the impact of new business, negatively impacted segment earnings by $67 million. Selling price reductions and, to a lesser extent, higher restructuring costs (in response to declining volumes) also negatively impacted segment earnings.

Other

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

	Six Months Ended	
	June 29, 2019	June 30, 2018
Net sales	$ —	$ —
Segment earnings [1]	(131.1)	(122.6)
Margin	N/A	N/A

[1] See definition above

Segment earnings related to our other category were ($131) million in the first six months of 2019, as compared to ($123) million in the first six months of 2018. In the first six months of 2018, segment earnings benefited from a litigation settlement of $13 million.

LIQUIDITY AND CAPITAL RESOURCES

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

As of June 29, 2019 and December 31, 2018, cash and cash equivalents of $801 million and $1,094 million, respectively, were held in foreign subsidiaries and can be repatriated, primarily through the repayment of intercompany loans and the payment of dividends, without creating additional income tax expense. There are no significant restrictions on the ability of our subsidiaries to pay dividends or make other distributions to Lear. For further information related to potential dividends from our non-U.S. subsidiaries, see "— Adequacy of Liquidity Sources" below and Note 7, "Income Taxes," to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018.

Cash Flows

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

	Six Months Ended		
	June 29, 2019	June 30, 2018	Increase (Decrease) in Operating Cash Flow
Consolidated net income and depreciation and amortization	$ 700	$ 971	$ (271)
Net change in working capital items:			
Accounts receivable	(544)	(264)	(280)
Inventory	(42)	(69)	27
Accounts payable	196	153	43
Accrued liabilities and other	197	(10)	207
Net change in working capital items	(193)	(190)	(3)
Other	(51)	(27)	(24)
Net cash provided by operating activities	$ 456	$ 754	$ (298)

In the first six months of 2019 and 2018, net cash provided by operating activities was $456 million and $754 million, respectively. The overall decrease in operating cash flows of $298 million was primarily attributable to lower net income. The incremental increase in accounts receivable in the first half of 2019, as compared to the first half of 2018, was largely due to lower sales at the end of 2018, as compared to the end of 2017, as well as the timing of certain customer payments. The resulting decrease in operating cash flows between periods was largely offset by increases in certain accrued liabilities in the first half of 2019.

Net cash used in investing activities was $580 million in the first six months of 2019, as compared to $357 million in the first six months of 2018. In first six months of 2019, we paid $321 million for the acquisition of Xevo. Capital spending was $259 million in the first six months of 2019, as compared to $332 million in the first six months of 2018. Capital spending in 2019 is estimated at $650 million.

Net cash used in financing activities was $105 million in the first six months of 2019, as compared to $507 million in the first six months of 2018. In 2019, we received net proceeds of $693 million related to the issuance of the 2029 and 2049 Notes and paid $6 million of related issuance costs and $334 million related to the redemption of the outstanding 2024 Notes. Also in 2019, we paid $277 million for repurchases of our common stock, $96 million of dividends to Lear stockholders and $31 million of dividends to noncontrolling interest holders. In 2018, we paid $285 million for repurchases of our common stock, $97 million of dividends to Lear stockholders and $64 million of dividends to noncontrolling interest holders.

Capitalization

From time to time, we utilize uncommitted credit facilities to fund our capital expenditures and working capital requirements at certain of our foreign subsidiaries, in addition to cash provided by operating activities. The availability of uncommitted lines of credit may be affected by our financial performance, credit ratings and other factors. As of June 29, 2019 and December 31, 2018, our short-term borrowings outstanding were $15 million and $10 million, respectively.

Senior Notes

As of June 29, 2019, our senior notes (collectively, the "Notes") consisted of the amounts shown below (in millions, except stated coupon rates):

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

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

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

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

The net proceeds from the offering were $693 million after original issue discount. The proceeds were used to redeem the $325 million in aggregate principal amount of the 2024 Notes at a redemption price equal to 102.688% of the principal amount of such 2024 Notes, plus accrued interest, as well as to finance the acquisition of Xevo and for general corporate purposes. In connection with these transactions, we recognized a loss of $11 million on the extinguishment of debt in the three and six months ended June 29, 2019, and paid related issuance costs of $6 million.

For further information related to the Notes, including information on early redemption, covenants and events of default, see Note 8, "Debt," to the condensed consolidated financial statements included in this Report and Note 6, "Debt," to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018.

Credit Agreement

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

As of June 29, 2019 and December 31, 2018, there were no borrowings outstanding under the Revolving Credit Facility and $239 million and $242 million, respectively, of borrowings outstanding under the Term Loan Facility. During the first six months of 2019, we made required principal payments of $3 million under the Term Loan Facility.

For further information related to the Credit Agreement, including information on pricing, covenants and events of default, see Note 8, "Debt," to the condensed consolidated financial statements included in this Report and Note 6, "Debt," to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018.

Scheduled Interest Payment and Covenants

Scheduled cash interest payments on the Notes and the Term Loan Facility are $54 million for the remaining six months of 2019.

As of June 29, 2019, we were in compliance with all covenants under the Credit Agreement and the indentures governing the Notes.

Contractual Obligations

The scheduled maturities and interest payments related to the Notes, reflecting the financing transactions discussed in "— Senior Notes" above, as of the date of this Report are shown below (in millions):

	2019 [1]	2020	2021	2022	2023	Thereafter	Total
Senior notes	$ —	$ —	$ —	$ —	$ —	$ 2,100	$ 2,100
Scheduled interest payments	49	96	96	96	96	688	1,121
Total	$ 49	$ 96	$ 96	$ 96	$ 96	$ 2,788	$ 3,221

[1] For the remaining six months

Common Stock Share Repurchase Program

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

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

Six Months Ended June 29, 2019				As of June 29, 2019
Aggregate Repurchases [1]	**Cash paid for Repurchases**	**Number of Shares**	**Average Price per Share [2]**	**Remaining Purchase Authorization**
$ 280	$ 277	1,987,246	$ 140.65	$ 1,304

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

Since the first quarter of 2011, our Board of Directors has authorized $5.8 billion in share repurchases under our common stock share repurchase program. As of the end of the second quarter of 2019, we have repurchased, in aggregate, $4.5 billion of our outstanding common stock, at an average price of $89.31 per share, excluding commissions and related fees.

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

For further information related to our common stock share repurchase program, see Note 15, "Comprehensive Income and Equity," to the condensed consolidated financial statements included in this Report.

Dividends

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

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

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

Adequacy of Liquidity Sources

As of June 29, 2019, we had approximately $1.3 billion of cash and cash equivalents on hand and $1.75 billion in available borrowing capacity under our Revolving Credit Facility. Together with cash provided by operating activities, we believe that this will enable us to meet our liquidity needs to satisfy ordinary course business obligations. In addition, we expect to continue to pay quarterly dividends and repurchase shares of our common stock pursuant to our authorized common stock share repurchase program (see "— Common Stock Share Repurchase Program," above). Our future financial results and our ability to continue to meet our liquidity needs are subject to, and will be affected by, cash flows from operations, including the impact of restructuring activities, automotive industry conditions, the financial condition of our customers and suppliers and other related factors. Additionally, an economic downturn or reduction in production levels could negatively impact our financial condition. For further discussion of the risks and uncertainties affecting our cash flows from operations and our overall liquidity, see "— Executive Overview" above, "— Forward-Looking Statements" below and Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2018.

Market Risk Sensitivity

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

Foreign Exchange

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

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

	June 29, 2019	December 31, 2018
Notional amount (contract maturities < 24 months)	$ 2,715	$ 2,153
Fair value	29	14

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

	Hypothetical Strengthening % [(1)]	Potential Earnings Benefit (Adverse Earnings Impact) June 29, 2019	Potential Earnings Benefit (Adverse Earnings Impact) December 31, 2018
U.S. dollar	10%	$ (16)	$ (19)
Euro	10%	19	20

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

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

	Hypothetical Change % [(2)]	Estimated Change in Fair Value June 29, 2019	Estimated Change in Fair Value December 31, 2018
U.S. dollar	10%	$ 41	$ 37
Euro	10%	64	72

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

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

In addition to the transactional exposure described above, our operating results are impacted by the translation of our foreign operating income into U.S. dollars ("translational exposure"). In 2018, net sales outside of the United States accounted for 82% of our consolidated net sales, although certain non-U.S. sales are U.S. dollar denominated. We do not enter into foreign exchange contracts to mitigate our translational exposure.

Commodity Prices

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

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

For further information related to the financial instruments described above, see Note 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, 2019, we had recorded reserves for pending legal disputes, including commercial disputes and other matters, of $14 million. In addition, as of June 29, 2019, we had recorded reserves for product liability claims and environmental matters of $27 million and $9 million, respectively. Although these reserves were determined in accordance with GAAP, the ultimate outcomes of these matters are inherently uncertain, and actual results may differ significantly from current estimates. For a description of risks related to various legal proceedings and claims, see Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2018. For a more complete description of our outstanding material legal proceedings, see Note 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. As a result, actual results in these areas may differ significantly from our estimates. For a discussion of our significant accounting policies and critical accounting estimates, see Item 7, "Management’s Discussion and Analysis of Financial Condition and Results of Operations — Significant Accounting Policies and Critical Accounting Estimates," and Note 2, "Summary of Significant Accounting Policies," to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018. There have been no significant changes in our significant accounting policies or critical accounting estimates during the second quarter of 2019, with the exception of leases. See Note 9, "Leases," to the condensed consolidated financial statements included in this Report.

Recently Issued Accounting Pronouncements

For information on the impact of recently issued accounting pronouncements, see Note 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;
- the cost and availability of raw materials, energy, commodities and product components and our ability to mitigate such costs;
- disruptions in relationships with our suppliers;
- the financial condition of and adverse developments affecting our customers and suppliers;
- risks associated with conducting business in foreign countries;

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

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

ITEM 4 — CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

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

(b) Changes in Internal Control over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the fiscal quarter ended June 29, 2019, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

In April 2019, the Company completed the acquisition of Xevo Inc. ("Xevo") and is currently integrating Xevo into its operations, compliance programs and internal control processes. Xevo constituted approximately 3% of the Company's total assets as of June 29, 2019, including the goodwill and intangible assets recorded as part of the purchase price allocation, and < 1% of the Company's net sales in the three months ended June 29, 2019. SEC guidance allows companies to exclude acquisitions from their assessment of the internal control over financial reporting during the first year following an acquisition while integrating the acquired company. The Company has excluded the acquired operations of Xevo from its assessment of the Company's internal controls over financial reporting.

PART II — OTHER INFORMATION

ITEM 1 — LEGAL PROCEEDINGS

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

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

As discussed in Part I — Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Capitalization — Common Stock Share Repurchase Program," and Note 15, "Comprehensive Income and Equity," to the condensed consolidated financial statements included in this Report, we have a remaining repurchase authorization of $1,303.5 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, 2019, is shown below:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program (in millions)
March 31, 2019 through April 27, 2019	188,090	$152.32	188,090	$ 1,436.5
April 28, 2019 through May 25, 2019	316,991	$134.69	316,991	1,393.8
May 26, 2019 through June 29, 2019	677,895	$133.18	677,895	1,303.5
Total	1,182,976	$136.63	1,182,976	$ 1,303.5

LEAR CORPORATION

ITEM 6 — EXHIBITS

Exhibit Index

	Exhibit Number		Exhibit Name
	10.1	****	Lear Corporation 2019 Inducement Grant Plan (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-8 filed on April 17, 2019).
	10.2	****	Employment Agreement, dated June 25, 2019, between Lear Corporation and Harry A. Kemp (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K dated June 25, 2019).
	10.3	****	Second Amended and Restated Employment Agreement, dated June 25, 2019, between Lear Corporation and Terrence B. Larkin (incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K dated June 25, 2019).
*	10.4	****	Lear Corporation Outside Directors Compensation Plan, amended and restated effective May 16, 2019.
*	10.5	****	Form of RSU Grant Deferral Election under the Lear Corporation Outside Directors Compensation Plan, effective as of May 16, 2019.
*	10.6	****	Form of 2019 Restricted Stock Unit Terms and Conditions for Non-Employee Directors under the Lear Corporation 2019 Long-Term Stock Incentive Plan.
*	31.1		Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer.
*	31.2		Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer.
*	32.1		Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*	32.2		Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**	101.INS		XBRL Instance Document
***	101.SCH		XBRL Taxonomy Extension Schema Document.
***	101.CAL		XBRL Taxonomy Extension Calculation Linkbase Document.
***	101.LAB		XBRL Taxonomy Extension Label Linkbase Document.
***	101.PRE		XBRL Taxonomy Extension Presentation Linkbase Document.
***	101.DEF		XBRL Taxonomy Extension Definition Linkbase Document.

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

LEAR CORPORATION

SIGNATURES

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

LEAR CORPORATION

Dated:	July 26, 2019	By:	/s/ Raymond E. Scott
			Raymond E. Scott
			President and Chief Executive Officer
		By:	/s/ Jeffrey H. Vanneste
			Jeffrey H. Vanneste
			Senior Vice President and Chief Financial Officer

Exhibit 10.4

LEAR CORPORATION
OUTSIDE DIRECTORS COMPENSATION PLAN

As Amended and Restated Effective May 16, 2019

LEAR CORPORATION
OUTSIDE DIRECTORS COMPENSATION PLAN

Article 1. Establishment, Objectives and Duration

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

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

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

Article 2. Definitions

The following defined terms have the meanings set forth below:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Plan" has the meaning ascribed to it in Section 1.1.

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

"Plan Year Account" for a given Plan Year means the portion of a Participant's Account attributable to compensation deferred for such Plan Year.

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

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

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

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

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

Article 3. Administration

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

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

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

Article 4. Eligibility

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

Article 5. Annual Retainer and RSU Grant

5.1 Amount Payable in Cash. Each Outside Director will be entitled to receive an Annual Retainer in the amount determined from time to time by the Board. Until changed by resolution of the Board of Directors, the Annual Retainer will be $115,000 for each Outside Director, provided that the Annual Retainer for the Presiding Director will be increased by $10,000 and the Annual Retainer for the Non-Executive Chairman shall be increased by $80,000. In addition, the Annual Retainer for each of the chairs of the Audit Committee and the Compensation Committee will be increased by $20,000 and the Annual Retainer for the chair of the Nominating and Corporate Governance Committee will be increased by $15,000.

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

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

5.2 RSU Grant. Each Outside Director will be entitled to receive a grant of restricted stock units ("RSUs"), which grant will be made under the Lear Corporation 2019 Long-Term Stock Incentive Plan, or a successor plan (the "LTSIP"), as of the date of any annual meeting of the stockholders of the Company at which such Outside Director is elected or re-elected to serve in such position. Each RSU is a notional amount that represents one unvested Share and constitutes the right, subject to the terms and conditions of the LTSIP and the applicable award agreement thereunder, to distribution of a Share if and when the RSU vests. The amount of the RSU grant will be determined from time to time by the Board. Until changed by resolution of the Board of Directors, the number of Shares subject to each RSU grant for each Outside Director will be equal to $160,000 divided by the Common Stock Fair Market Value on the date of the grant, provided that the grant date value of the grant of RSUs for the Non-Executive Chairman shall be increased by $120,000. The grant of RSUs shall vest on the earlier of (i) the first (1st) anniversary of the date of grant and (ii) the date of the next annual meeting of the stockholders of the Company following the date of grant that is at least fifty (50) weeks following the immediately preceding year's annual meeting, subject to forfeiture in the event that an Outside Director ceases to be an Outside Director for any reason, including resignation or removal (with or without cause). Notwithstanding anything herein to the contrary, each RSU grant made pursuant to this Section 5.2 will be subject to the terms and conditions of the LTSIP and the applicable award agreement thereunder.

Article 6. Deferral

6.1 Deferral Election. Any Outside Director may elect to defer all or a portion of the compensation payable to him or her under Section 5.1 for the Plan Year by filing with the Secretary of the Company a written notice to that effect (a "Deferral Election"), on a form provided by the Company. A Deferral Election must be filed before the first day of the Plan Year to which it relates. Notwithstanding the foregoing, an election may be filed within 30 days after a Director first becomes an Outside Director; provided, however, the amount of compensation deferred pursuant to such election will not exceed the portion of the Outside Director's compensation earned after the date the election is made. A Deferral Election may not be revoked or modified with respect to compensation payable for any Plan Year for which it is effective. An Outside Director may terminate or modify his or her current Deferral Election by filing a new Deferral Election before the first day of the Plan Year to which such termination or modification applies.

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

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

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

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

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

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

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

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

Notwithstanding anything to the contrary in this Section 6.3, if the Compensation Committee determines that the Outside Director is a "specified employee" (within the meaning of Code Section 409A(a)(2)(B)), then notwithstanding any provision in the Plan to the contrary, payments triggered by the Outside Director's Termination Date will not be paid until six months after the Outside Director's Termination Date or until the Outside Director's earlier death. The foregoing six-month delay provision will not affect the timing of payments that would otherwise be paid more than six months after the Outside Director's Termination Date.

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

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

Article 7. Effective Date.

This amended and restated Plan is effective as of May 16, 2019 (the "Effective Date") and will remain in effect as provided in Section 1.3 hereof.

Article 8. Miscellaneous

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

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

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

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

Article 9. Legal Construction

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

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

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

9.4 Securities Law and Tax Law Compliance.

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

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

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

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

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

* * * * *

Exhibit 10.5

LEAR CORPORATION
OUTSIDE DIRECTORS COMPENSATION PLAN

RESTRICTED STOCK UNIT GRANT DEFERRAL ELECTION

As of December ____, 2019, the individual whose name appears below, who is an Outside Director of the Company, hereby irrevocably elects to defer all or a portion of the amount that is payable to him or her under the terms of the award of restricted stock units ("RSU Grant") to be granted on the date of the 2020 Annual Meeting of Stockholders of the Company. Any term capitalized herein but not defined will have the meaning set forth in the Lear Corporation Outside Directors Compensation Plan (the "Plan"). This Deferral Election relates to the RSU Grant described in the Plan and awarded to each Outside Director under the Company's 2019 Long-Term Stock Incentive Plan, as may be amended from time to time, or a successor plan (the "LTSIP"). Any Shares of the Company's common stock delivered on a deferred basis pursuant to this deferral election shall also be delivered from the available share reserve of the LTSIP.

1. Deferral Election. In accordance with the terms of the Plan and this Deferral Election, the Outside Director hereby irrevocably elects to defer (*enter in the blank any whole percentage less than or equal to 100%*):

____% of the RSU Grant to be granted in 2020.

2. Stock Account. The amount deferred under Section 1 above with respect to the RSU Grant will be credited in the form of stock units to a bookkeeping account (the "Stock Account") as of the date the RSU Grant would otherwise have been made to the Outside Director. Such stock units are notional Shares that are payable in the form of Shares upon the distribution date. The number of stock units so credited will equal the number of RSUs that are deferred pursuant to the election above. If the Company declares a cash dividend on its common stock while the Outside Director has stock units outstanding in his or her Stock Account, then, on the payment date of the dividend, the Outside Director will be credited with dividend equivalents equal to the amount of the cash dividend per Share multiplied by the number of stock units credited to the Outside Director's Stock Account through the record date. The dividend equivalents will be credited to a bookkeeping account under the Plan in the Outside Director's name, which will accrue interest at the prime rate, compounded monthly (the "Interest Account," and together with the Stock Account, the "Accounts"), until the underlying stock units are distributed.

3. Timing of Payout. Subject to the terms of the Plan and the award agreement governing the RSUs, the Outside Director hereby elects for amounts in his or her Accounts that are deferred pursuant to the election above to be distributed (or, in the case of installments, to commence being distributed) on the **earliest** of (a) the ninetieth (90^{th}) day following the date he or she ceases to be a Director, (b) within ten (10) days following the date on which a Change in Control occurs, and (c) within ten (10) days following February 20, 20__ (*insert a year 2022 or later or circle "N/A"*).

4. Form of Payout. In accordance with the terms of the Plan, the Outside Director hereby elects the following schedule for payment of the amounts in his or her Accounts that are deferred pursuant to the election above (*elect one*):

_____single total distribution of the Stock Account and the Interest Account, or

_____equal annual installments of the Stock Account and the Interest Account (*insert a whole number, not to exceed five (5) installments*).

If installments are elected, the amount of each installment payment of the Interest Account will equal the product of (a) the balance in the Outside Director's Interest Account on the date on which the payment is made, multiplied by (b) a fraction, the numerator of which is one (1) and the denominator of which is the number of unpaid remaining installments. The balance of the Interest Account will be appropriately reduced to reflect any installment payments already made hereunder. The final installment payment will be equal to the remaining balance in the Outside Director's Interest Account on the date on which the payment is made.

5. Plan and Section 409A. This Deferral Election is subject to the terms of the Plan, including, but not limited to, those in Article 6 applicable to deferrals. The Plan and this Deferral Election are intended to comply with Code Section 409A and the regulations thereunder, and will be administered and interpreted in accordance with such intent.

IN WITNESS WHEREOF, the Outside Director has duly executed this Stock Grant Deferral Election as of the date first written above.

____

Outside Director's Signature

____

Outside Director's Name *(please print)*

Exhibit 10.6

LEAR CORPORATION
2019 LONG-TERM STOCK INCENTIVE PLAN

2019 RESTRICTED STOCK UNIT TERMS AND CONDITIONS (DIRECTORS)

1. Definitions. Any term capitalized in these terms and conditions (these "Terms") but not defined herein will have the meaning set forth in the Plan.

2. Grant and Vesting of Restricted Stock Units.

(a) As of the date (the "Grant Date") specified in the letter that accompanies these Terms (the "Cover Letter"), the Participant will be credited with the number of Restricted Stock Units set forth in the Cover Letter. Each Restricted Stock Unit is a notional amount that represents one unvested Share. Each Restricted Stock Unit constitutes the right, subject to the terms and conditions of the Plan and these Terms, to distribution of a Share if and when the Restricted Stock Unit vests.

(b) The Restricted Stock Units will vest on the earlier to occur of (i) the first (1^{st}) anniversary of the Grant Date and (ii) the date of the next annual meeting of the Company's stockholders following the Grant Date that is at least fifty (50) weeks following the immediately preceding year's annual meeting. Notwithstanding the foregoing, in the event that the Participant's continuous service as a Director or Employee of the Company ("Service") terminates before the date that the Restricted Stock Units vest, his or her right to receive the Shares underlying unvested Restricted Stock Units will be only as provided in Section 4. For the avoidance of doubt, if the Participant incurs a change in status from a Director to an Employee of the Company or an Affiliate before the Restricted Stock Units have vested, such change in status alone shall not constitute a termination of Service for purposes of this Award.

3. Rights as a Stockholder.

(a) Unless and until a Restricted Stock Unit has vested and the Share underlying it has been distributed to the Participant, the Participant will not be entitled to vote in respect of that Restricted Stock Unit or that Share.

(b) If the Company declares a cash dividend on its Shares, then, on the payment date of the dividend, the Participant will be credited with dividend equivalents equal to the amount of cash dividend per Share multiplied by the number of Restricted Stock Units credited to the Participant through the record date. The dollar amount credited to the Participant under the preceding sentence will be credited to an account ("Account") established for the Participant for bookkeeping purposes only on the books of the Company. The amounts credited to the Account will be credited as of the last day of each month with interest, compounded monthly, until the amount credited to the Account is paid to the Participant. The rate of interest credited under the previous sentence will be the prime rate of interest as reported by the Midwest edition of the Wall Street Journal for the second business day of each quarter on an annual basis. The balance in the Account will be subject to the same terms regarding vesting and forfeiture as the Participant's Restricted Stock Units awarded under the Cover Letter and these Terms, and will be paid in cash in a single sum at the time that the Shares associated with the Participant's Restricted Stock Units are delivered (or forfeited at the time that the Participant's Restricted Stock Units are forfeited).

4. Termination of Service. The Participant's right to receive the Shares underlying his or her Restricted Stock Units after termination of his or her Service will be only as follows:

(a) Death or Disability. If the Participant's Service shall be terminated for Disability or upon the Participant's death, the Participant (or the Participant's estate) will be immediately entitled to receive the Shares underlying all of the Restricted Stock Units that have not yet vested under Section 2 above. Notwithstanding anything in the Plan to the contrary, for purposes of these Terms and with respect to the Participant, "Disability" shall have the meaning given to such term in the Lear Corporation Outside Directors Compensation Plan.

(b) Any Other Termination of Service. In the event that the Participant's Service terminates for any reason other than due to his or her death or Disability prior to vesting of the Restricted Stock Units, the Participant will immediately forfeit the right to receive the Shares underlying the Restricted Stock Units.

5. Timing and Form of Payment. Except as provided in Section 4, once a Restricted Stock Unit vests, the Participant will be entitled to receive a Share in its place. Delivery of the Share will be made as soon as administratively feasible after its associated Restricted Stock Unit vests. Shares will be credited to an account established for the benefit of the Participant with the Company's administrative agent. The Participant will have full legal and beneficial ownership with respect to the Shares at that time.

6. Assignment and Transfers. The Participant may not assign, encumber or transfer any of his or her rights and interests under the Award described in these Terms, except, in the event of his or her death, by will or the laws of descent and distribution. The Company may assign any of its rights and interests hereunder.

7. Securities Law Requirements.

(a) The Restricted Stock Units are subject to the further requirement that, if at any time the Committee determines in its discretion that the listing or qualification of the Shares subject to the Restricted Stock Units under any securities exchange requirements or under any applicable law, or the consent or approval of any governmental regulatory body, is necessary as a condition of, or in connection with, the issuance of Shares under it, then Shares will not be issued under the Restricted Stock Units, unless the necessary listing, qualification, consent or approval has been effected or obtained free of any conditions not acceptable to the Committee.

(b) No person who acquires Shares pursuant to the Award reflected in these Terms may, during any period of time that person is an affiliate of the Company (within the meaning of the rules and regulations of the Securities and Exchange Commission under the Securities Act of 1933 (the "1933 Act")) sell the Shares, unless the offer and sale is made pursuant to (i) an effective registration statement under the 1933 Act, which is current and includes the Shares to be sold, or (ii) an appropriate exemption from the registration requirements of the 1933 Act, such as that set forth in Rule 144 promulgated under the 1933 Act. With respect to individuals subject to Section 16 of the Exchange Act, transactions under this Award are intended to comply with all applicable conditions of Rule 16b-3, or its successors under the Exchange Act. To the extent any provision of the Award or action by the Committee fails to so comply, the Committee may determine, to the extent permitted by law, that the provision or action will be null and void.

8. No Limitation on Rights of the Company. Subject to Sections 4.3 and 15.2 of the Plan, the grant of the Award described in these Terms will not in any way affect the right or power of the Company to make adjustments, reclassification or changes in its capital or business structure, or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets.

9. Plan, Restricted Stock Units and Award Not a Contract of Employment or Service. Neither the Plan, the Restricted Stock Units nor any other right or interest that is part of the Award reflected in these Terms is a contract of employment or Service, and no terms of Service of the Participant will be affected in any way by the Plan, the Restricted Stock Units, the Award, these Terms or related instruments, except as specifically provided therein. Neither the establishment of the Plan nor the Award will be construed as conferring any legal rights upon the Participant for a continuation of Service, nor will it interfere with the right of the Company or any Affiliate to discharge the Participant and to treat him or her without regard to the effect that treatment might have upon him or her as a Participant.

10. Participant to Have No Rights as a Stockholder. Except as provided in Section 3 above, the Participant will have no rights as a stockholder with respect to any Shares subject to the Restricted Stock Units prior to the date on which he or she is recorded as the holder of those Shares on the records of the Company.

11. Notice. Any notice or other communication required or permitted hereunder must be in writing and must be delivered personally, or sent by certified, registered or express mail, postage prepaid. Any such notice will be deemed given when so delivered personally or, if mailed, three days after the date of deposit in the United States mail, in the case of the Company to 21557 Telegraph Road, Southfield, Michigan, 48033, Attention: General Counsel and, in the case of the Participant, to the last known address of the Participant in the Company's records.

12. Governing Law. These Terms and the Award will be construed and enforced in accordance with, and governed by, the laws of the State of Michigan, determined without regard to its conflict of law rules.

13. Code Section 409A. Notwithstanding any other provision in these Terms to the contrary, if the Participant is a "specified employee" (as such term is defined for purposes of Code Section 409A) at the time of his or her termination of Service, no amount that is subject to Code Section 409A and that becomes payable by reason of such termination of Service shall be paid to the Participant before the earlier of (i) the expiration of the six-month period measured from the date of the Participant's termination of Service, and (ii) the date of the Participant's death.

14. Plan Document Controls. The rights granted under these Terms are in all respects subject to the provisions of the Plan to the same extent and with the same effect as if they were set forth fully therein. If these Terms or the Award conflict with the terms of the Plan document, the Plan document will control.

Exhibit 31.1

CERTIFICATION

I, Raymond E. Scott, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date:	July 26, 2019	By:	/s/ Raymond E. Scott
			Raymond E. Scott
			President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Jeffrey H. Vanneste, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date:	July 26, 2019	By:	/s/ Jeffrey H. Vanneste
			Jeffrey H. Vanneste
			Senior Vice President and Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Lear Corporation (the "Company") on Form 10-Q for the period ended June 29, 2019, as filed with the Securities and Exchange Commission (the "Report"), the undersigned, as the Chief Executive Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

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

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

Date:	July 26, 2019	Signed:	/s/ Raymond E. Scott
			Raymond E. Scott
			Chief Executive Officer

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

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

Exhibit 32.2

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

In connection with the Quarterly Report of Lear Corporation (the "Company") on Form 10-Q for the period ended June 29, 2019, as filed with the Securities and Exchange Commission (the "Report"), the undersigned, as the Chief Financial Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

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

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

Date:	July 26, 2019	Signed:	/s/ Jeffrey H. Vanneste
			Jeffrey H. Vanneste
			Chief Financial Officer

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

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