LEAR CORP
Form 10-Q
October 25, 2017
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2017.

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .
Commission file number: 001-11311

(Exact name of registrant as specified in its charter)

Delaware	13-3386776
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
21557 Telegraph Road, Southfield, MI	48033
(Address of principal executive offices)	(Zip code)

(248) 447-1500
(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨
Emerging growth company	¨		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x
As of October 23, 2017, the number of shares outstanding of the registrant's common stock was 67,560,732 shares.

Table of Contents
LEAR CORPORATION

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2017

INDEX

Table of Contents
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, 2016.

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.

Table of Contents

LEAR CORPORATION AND SUBSIDIARIES

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

	September 30, 2017 [1]	December 31, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$1,253.7	$ 1,271.6
Accounts receivable	3,357.9	2,746.5
Inventories	1,232.9	1,020.6
Other	718.5	610.6
Total current assets	6,563.0	5,649.3
LONG-TERM ASSETS:		
Property, plant and equipment, net	2,378.1	2,019.3
Goodwill	1,387.1	1,121.3
Other	1,383.8	1,110.7
Total long-term assets	5,149.0	4,251.3
Total assets	$11,712.0	$ 9,900.6
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings	$1.8	$ 8.6
Accounts payable and drafts	3,176.0	2,640.5
Accrued liabilities	1,706.2	1,497.6
Current portion of long-term debt	9.0	35.6
Total current liabilities	4,893.0	4,182.3
LONG-TERM LIABILITIES:		
Long-term debt	1,953.0	1,898.0
Other	691.0	627.4
Total long-term liabilities	2,644.0	2,525.4
Redeemable noncontrolling interest	147.7	—
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; 72,563,291 and 80,563,291 shares issued as of September 30, 2017 and December 31, 2016, respectively	0.7	0.8
Additional paid-in capital	1,199.3	1,385.3
Common stock held in treasury, 5,003,036 and 11,131,648 shares as of September 30, 2017 and December 31, 2016, respectively, at cost	(602.4)	(1,200.2)
Retained earnings	3,810.3	3,706.9
Accumulated other comprehensive loss	(536.8)	(835.6)
Lear Corporation stockholders' equity	3,871.1	3,057.2
Noncontrolling interests	156.2	135.7
Equity	4,027.3	3,192.9
Total liabilities and equity	$11,712.0	$ 9,900.6

(1) Unaudited.

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

Table of Contents
LEAR CORPORATION AND SUBSIDIARIES

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

	Three Months Ended		Nine Months Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Net sales	$4,981.5	$4,526.4	$15,103.2	$13,914.1
Cost of sales	4,425.6	4,012.5	13,387.0	12,324.1
Selling, general and administrative expenses	158.2	153.6	471.1	456.9
Amortization of intangible assets	12.5	15.2	34.1	41.7
Interest expense	21.7	20.6	63.9	62.0
Other (income) expense, net	(21.8)	14.2	(12.3)	(0.8)
Consolidated income before provision for income taxes and equity in net income of affiliates	385.3	310.3	1,159.4	1,030.2
Provision for income taxes	77.8	88.2	240.2	287.4
Equity in net income of affiliates	(7.5)	(12.9)	(41.3)	(49.2)
Consolidated net income	315.0	235.0	960.5	792.0
Less: Net income attributable to noncontrolling interests	19.8	20.6	47.6	46.8
Net income attributable to Lear	$295.2	$214.4	$912.9	$745.2
Basic net income per share available to Lear common stockholders	$4.00	$3.01	$12.92	$10.19
Diluted net income per share available to Lear common stockholders	$3.96	$2.98	$12.80	$10.10
Cash dividends declared per share	$0.50	$0.30	$1.50	$0.90
Average common shares outstanding	68,061,718	71,259,766	68,874,682	73,102,327
Average diluted shares outstanding	68,834,279	72,052,270	69,536,808	73,809,220
Consolidated comprehensive income (Note 13)	$392.3	$245.3	$1,265.4	$816.0
Less: Comprehensive income attributable to noncontrolling interests	22.6	20.6	53.7	44.2
Comprehensive income attributable to Lear	$369.7	$224.7	$1,211.7	$771.8

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

LEAR CORPORATION AND SUBSIDIARIES

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

	Nine Months Ended	
	September 30, 2017	October 1, 2016
Cash Flows from Operating Activities:		
Consolidated net income	$960.5	$792.0
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	313.2	283.4
Net change in recoverable customer engineering, development and tooling	(37.4)	2.1
Loss on extinguishment of debt	21.2	—
Net change in working capital items (see below)	(31.0)	3.0
Other, net	(42.2)	13.4
Net cash provided by operating activities	1,184.3	1,093.9
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(430.2)	(300.3)
Acquisition of Antolin Seating	(286.8)	—
Other, net	16.9	51.8
Net cash used in investing activities	(700.1)	(248.5)
Cash Flows from Financing Activities:		
New credit agreement borrowings	250.0	—
Prior credit agreement repayments	(468.7)	(15.6)
Short-term borrowings, net	(7.2)	8.9
Proceeds from the issuance of senior notes	744.7	—
Repurchase of senior notes	(517.0)	—
Payment of debt issuance and other financing costs	(11.7)	—
Repurchase of common stock	(332.2)	(557.7)
Dividends paid to Lear Corporation stockholders	(104.4)	(68.1)
Dividends paid to noncontrolling interests	(42.7)	(14.8)
Other, net	(56.6)	(52.1)
Net cash used in financing activities	(545.8)	(699.4)
Effect of foreign currency translation	43.7	(1.0)
Net Change in Cash and Cash Equivalents	(17.9)	145.0
Cash and Cash Equivalents as of Beginning of Period	1,271.6	1,196.6
Cash and Cash Equivalents as of End of Period	$1,253.7	$1,341.6
Changes in Working Capital Items:		
Accounts receivable	$(280.6)	$(440.2)
Inventories	(114.7)	(87.3)
Accounts payable	245.6	203.6
Accrued liabilities and other	118.7	326.9
Net change in working capital items	$(31.0)	$3.0
Supplementary Disclosure:		
Cash paid for interest	$91.6	$85.3
Cash paid for income taxes, net of refunds received	$224.9	$151.6

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

Table of Contents
LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation
Lear Corporation ("Lear," and together with its consolidated subsidiaries, the "Company") and its affiliates design and manufacture automotive seating and electrical distribution systems and related components. The Company's main customers are automotive original equipment manufacturers. The Company operates facilities worldwide.
The accompanying condensed consolidated financial statements include the accounts of Lear, a Delaware corporation, and the wholly owned and less than wholly owned subsidiaries controlled by Lear. In addition, Lear consolidates all entities, including variable interest entities, in which it has a controlling financial interest. Investments in affiliates in which Lear does not have control but does have the ability to exercise significant influence over operating and financial policies are accounted for under the equity method.
The Company's annual financial results are reported on a calendar year basis, and quarterly interim results are reported using a thirteen week reporting calendar.
Certain amounts in the prior period's financial statements have been reclassified to conform to the presentation used in the quarter ended September 30, 2017.
Cost of Sales and Selling, General and Administrative Expenses
Cost of sales includes material, labor and overhead costs associated with the manufacture and distribution of the Company's products. Distribution costs include inbound freight costs, purchasing and receiving costs, inspection costs, warehousing costs and other costs of the Company's distribution network. Selling, general and administrative expenses include selling, engineering and development and administrative costs not directly associated with the manufacture and distribution of the Company's products.

(2) Acquisitions
Grupo Antolin Seating
On April 28, 2017, the Company completed the acquisition of Grupo Antolin's automotive seating business ("Antolin Seating") for $291.5 million, net of cash acquired. Antolin Seating is headquartered in France with operations in five countries in Europe and North Africa. The Antolin Seating business is comprised of just-in-time seat assembly, as well as seat structures, mechanisms and seat covers with annual sales of approximately $370 million.
The Antolin Seating acquisition was accounted for as a business combination, and accordingly, the assets acquired and liabilities assumed are included in the accompanying condensed consolidated balance sheet as of September 30, 2017. The operating results and cash flows of Antolin Seating are included in the accompanying condensed consolidated financial statements from the date of acquisition and in the Company's seating segment.
The net purchase price of $291.5 million is subject to adjustment and consists of cash paid of $286.8 million, net of cash acquired, and contingent consideration of $4.7 million. In addition, the Company incurred transaction costs of $3.1 million related to advisory services in the nine months ended September 30, 2017, 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):

Purchase price paid, net of cash acquired	$286.8
Acquisition date contingent consideration	4.7
Net purchase price	$291.5
Property, plant and equipment	$81.7
Other assets purchased and liabilities assumed, net	(34.2)
Goodwill	122.6
Intangible assets	121.4
Preliminary purchase price allocation	$291.5

7

Table of Contents
LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Contingent consideration represents the discounted value of estimated amounts due to the seller pending the resolution of certain matters. As of the acquisition date, the value of estimated contingent consideration was $4.7 million.
Recognized goodwill is attributable to the assembled workforce, expected synergies and other intangible assets that do not qualify for separate recognition.
Intangible assets consist of provisional amounts recognized for the fair value of customer-based assets and were based on an independent appraisal. Customer-based assets include Antolin Seating's established relationships with its customers and the ability of these customers to generate future economic profits for the Company. It is currently estimated that these intangible assets have a weighted average useful life of approximately fifteen 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 property, plant and equipment and 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 16, "Financial Instruments."
AccuMED
On December 21, 2016, the Company completed the acquisition of 100% of the outstanding equity interests of AccuMED Holdings Corp. ("AccuMED"), a privately-held developer and manufacturer of specialty fabrics, for $148.5 million, net of cash acquired. AccuMED has annual sales of approximately $80 million. The AccuMED acquisition was accounted for as a business combination, and accordingly, the assets acquired and liabilities assumed are included in the accompanying condensed consolidated balance sheets as of September 30, 2017 and December 31, 2016. The operating results and cash flows of AccuMED are included in the accompanying condensed consolidated financial statements from the date of acquisition and in the Company's seating segment. The purchase price and preliminary allocation are shown below (in millions):

Purchase price paid, net of cash acquired	$148.5
Property, plant and equipment	$11.2
Other assets purchased and liabilities assumed, net	7.2
Goodwill	77.1
Intangible assets	53.0
Preliminary purchase price allocation	$148.5

Recognized goodwill is attributable to the assembled workforce, expected synergies and other intangible assets that do not qualify for separate recognition.
Intangible assets consist of amounts recognized for the fair value of customer-based assets and were based on an independent appraisal. Customer-based assets include AccuMED's established relationships with its customers and the ability of these customers to generate future economic profits for the Company. It is estimated that these intangible assets have a weighted average useful life of approximately thirteen years.
The purchase price allocation is 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 and contingent liabilities.
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 16, "Financial Instruments."

(3) Restructuring

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

In the first nine months of 2017, the Company recorded charges of $48.6 million in connection with its restructuring actions. These charges consist of $39.5 million recorded as cost of sales, $10.2 million recorded as selling, general and administrative expenses and net credits of $1.1 million recorded as other income. The restructuring charges consist of employee termination costs of $41.0 million, fixed asset impairment charges of $0.4 million, a pension benefit plan settlement loss of $0.8 million and contract termination costs of $1.5 million, as well as other related costs of $4.9 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 $0.4 million in excess of related estimated fair values.

The Company expects to incur approximately $36 million of additional restructuring costs related to activities initiated as of September 30, 2017, 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 2017 activity, excluding the pension benefit plan settlement loss of $0.8 million (Note 9, "Pension and Other Postretirement Benefit Plans"), is shown below (in millions):

	Accrual as of January 1, 2017	2017 Charges	Utilization Cash	Utilization Non-cash	Accrual as of September 30, 2017
Employee termination benefits	$ 69.4	$ 41.0	$ (27.7)	$ —	$ 82.7
Asset impairment charges	—	0.4	—	(0.4)	—
Contract termination costs	4.6	1.5	(1.2)	—	4.9
Other related costs	—	4.9	(4.9)	—	—
Total	$ 74.0	$ 47.8	$ (33.8)	$ (0.4)	$ 87.6

(4) Inventories

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

	September 30, 2017	December 31, 2016
Raw materials	$ 909.2	$ 746.3
Work-in-process	124.0	106.4
Finished goods	199.7	167.9
Inventories	$ 1,232.9	$ 1,020.6

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

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

During the first nine months of 2017 and 2016, the Company capitalized $190.8 million and $110.5 million, respectively, of pre-production E&D costs for which reimbursement is contractually guaranteed by the customer.

During the first nine months of 2017 and 2016, the Company also capitalized $93.5 million and $61.5 million, respectively, of pre-production tooling costs related to customer-owned tools for which reimbursement is contractually guaranteed by the customer or for which the Company has a non-cancelable right to use the tooling. These amounts are included in other current and long-term assets in the accompanying condensed consolidated balance sheets.

During the first nine months of 2017 and 2016, the Company collected $247.7 million and $168.9 million, respectively, of cash related to E&D and tooling costs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

	September 30, 2017	December 31, 2016
Current	$ 232.5	$ 185.9
Long-term	54.0	43.4
Recoverable customer E&D and tooling	$ 286.5	$ 229.3

(6) Long-Term Assets

Property, Plant and Equipment

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

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

	September 30, 2017	December 31, 2016
Land	$ 119.1	$ 101.7
Buildings and improvements	772.2	648.1
Machinery and equipment	2,939.2	2,459.6
Construction in progress	348.1	296.4
Total property, plant and equipment	4,178.6	3,505.8
Less – accumulated depreciation	(1,800.5)	(1,486.5)
Property, plant and equipment, net	$ 2,378.1	$ 2,019.3

Depreciation expense was $99.2 million and $83.5 million in the three months ended September 30, 2017 and October 1, 2016, respectively, and $279.1 million and $241.7 million in the nine months ended September 30, 2017 and October 1, 2016, respectively.

The Company monitors its long-lived assets for impairment indicators on an ongoing basis in accordance with GAAP. If impairment indicators exist, the Company performs the required impairment analysis by comparing the undiscounted cash flows expected to be generated from the long-lived assets to the related net book values. If the net book value exceeds the undiscounted cash flows, an impairment loss is measured and recognized. Except as discussed below, the Company does not believe that there were any indicators that would have resulted in long-lived asset impairment charges as of September 30, 2017. The Company will, however, continue to assess the impact of any significant industry events on the realization of its long-lived assets.

In the first nine months of 2017 and 2016, the Company recognized fixed asset impairment charges of $0.4 million and $3.5 million, respectively, in conjunction with its restructuring actions (Note 3, "Restructuring").

Investment in Affiliates

On September 8, 2017, the Company gained control of Shanghai Lear STEC Automotive Parts Co., Ltd. ("Lear STEC") by amending the existing joint venture agreement to eliminate the substantive participating rights of its joint venture partner. Prior to the amendment, Lear STEC was accounted for under the equity method. The consolidation of Lear STEC was accounted for as a business combination, and accordingly, the assets acquired and liabilities assumed are included in the accompanying condensed consolidated balance sheet as of September 30, 2017. The operating results and cash flows of Lear STEC are included in the accompanying condensed consolidated financial statements from the date of the amended joint venture agreement and are reflected in the Company's E-Systems segment.

Table of Contents

A preliminary summary of the fair value of the assets acquired and liabilities assumed in conjunction with the consolidation is shown below (in millions):

Property, plant and equipment	$16.2
Other assets and liabilities assumed, net	42.7
Goodwill	94.1
Intangible assets	66.0
	$219.0

Recognized goodwill is attributable to the assembled workforce, expected synergies and other intangible assets that do not qualify for separate recognition.

Intangible assets consist of amounts recognized for the fair value of customer-based assets and were based on an independent appraisal. Customer-based assets include Lear STEC's established relationships with its customers and the ability of these customers to generate future economic profits for the Company. It is currently estimated that these intangible assets have a weighted average useful life of approximately 12 years.

The fair values of the assets acquired and liabilities assumed in conjunction with the consolidation contain provisional estimates that may be revised as a result of additional information obtained regarding such assets and liabilities.

As of the date of consolidation, the fair value of the Company's previously held equity interest in Lear STEC was $94.0 million, and the fair value of the noncontrolling interest in Lear STEC was $125.0 million. As a result of valuing the Company's prior equity interest in Lear STEC at fair value, the Company recognized a gain of $54.2 million, which is included in other (income) expense, net in the accompanying condensed consolidated statements of comprehensive income for the three and nine months ended September 30, 2017.

In connection with the consolidation, the noncontrolling interest holder obtained the option, which is embedded in the noncontrolling interest, to require the Company to purchase or redeem the 45% noncontrolling interest based on a pre-determined earnings multiple formula. 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 redemption 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 sheet as of September 30, 2017.

Redemption value of a noncontrolling interest in excess of carrying value represents a dividend distribution that is different from dividend distributions to other common stockholders. Therefore, periodic redemption adjustments recorded in excess of carrying value are reflected as a reduction to the income available to common stockholders in the computation of earnings per share. Redeemable noncontrolling interest of $147.7 million related to Lear STEC is reflected in the Company's condensed consolidated balance sheet as of September 30, 2017. This amount includes a noncontrolling interest redemption adjustment of $22.7 million, representing the difference between the redemption value and carrying value.

Lear STEC's annual sales are approximately $280 million. Lear STEC provides wire harnesses to SAIC Motor Corporation Limited and its joint ventures with both North American and European automotive manufacturers. The pro forma effects of this consolidation would not materially impact the Company's reported results for any period presented.

For further information related to the redemption adjustment, see Note 13, "Comprehensive Income and Equity." For further information related to acquired assets measured at fair value, see Note 16, "Financial Instruments."

(7) Goodwill

A summary of the changes in the carrying amount of goodwill, by operating segment, in the nine months ended September 30, 2017, is shown below (in millions):

	Seating	E-Systems	Total
Balance at January 1, 2017	$1,091.2	$ 30.1	$1,121.3
Acquisition	122.6	—	122.6
Consolidation of affiliate	—	94.1	94.1
Foreign currency translation and other	48.9	0.2	49.1
Balance at September 30, 2017	$1,262.7	$ 124.4	$1,387.1

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.

The Company does not believe that there were any indicators that would have resulted in goodwill impairment charges as of September 30, 2017. The Company will, however, continue to assess the impact of significant events or circumstances on its recorded goodwill.

For further information related to the acquisition, see Note 2, "Acquisitions." For further information related to the consolidation of an affiliate, see Note 6, "Long-Term Assets."

(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):

	September 30, 2017				December 31, 2016			
Debt Instrument	Long-Term Debt	Debt Issuance Costs [2]	Long-Term Debt, Net	Weighted Average Interest Rate	Long-Term Debt	Debt Issuance Costs [2]	Long-Term Debt, Net	Weighted Average Interest Rate
Credit Agreement — Term Loan Facility	$250.0	$ (1.9)	$ 248.1	2.7%	$468.7	$ (1.6)	$ 467.1	2.105%
4.75% Senior Notes due 2023 ("2023 Notes")	—	—	—	N/A	500.0	(4.8)	495.2	4.75%
5.375% Senior Notes due 2024 ("2024 Notes")	325.0	(2.5)	322.5	5.375%	325.0	(2.8)	322.2	5.375%
5.25% Senior Notes due 2025 ("2025 Notes")	650.0	(6.0)	644.0	5.25%	650.0	(6.6)	643.4	5.25%
3.8% Senior Notes due 2027 ("2027 Notes") [1]	744.8	(6.0)	738.8	3.885%	—	—	—	N/A
Other	8.6	—	8.6	N/A	5.7	—	5.7	N/A
	$1,978.4	$ (16.4)	1,962.0		$1,949.4	$ (15.8)	1,933.6	
Less — Current portion			(9.0)				(35.6)	

Long-term debt	$ 1,953.0	$ 1,898.0

(1) Net of unamortized discount of $5.2 million
(2) Unamortized portion

12

Table of Contents
LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Senior Notes
The issuance date, maturity date and interest payable dates of the Company's senior unsecured 2024 Notes, 2025 Notes and 2027 Notes (together, the "Notes") are as shown below:

Note	Issuance Date	Maturity Date	Interest Payable Dates
2024 Notes	March 2014	March 15, 2024	March 15 and September 15
2025 Notes	November 2014	January 15, 2025	January 15 and July 15
2027 Notes	August 2017	September 15, 2027	March 15 and September 15

In August 2017, the Company issued $750.0 million in aggregate principal amount at maturity of senior unsecured notes due 2027 at a stated coupon rate of 3.8%. The 2027 Notes were priced at 99.294% of par, resulting in a yield to maturity of 3.885%. The proceeds from the offering of $744.7 million, after original issue discount, were used to redeem the $500.0 million in aggregate principal amount of the 2023 Notes at a redemption price equal to 100% of the aggregate principal amount thereof, plus a "make-whole" premium of $17.0 million, as well as to refinance a portion of the Company's $500.0 million prior term loan facility (see "— Credit Agreement" below). In connection with these transactions, the Company recognized a loss of $21.2 million on the extinguishment of debt in the three and nine months ended September 30, 2017, and paid related issuance costs of $6.0 million.
Prior to June 15, 2027 (three months prior to the maturity date), the Company, at its option, may redeem some or all of the 2027 Notes at a redemption price equal to 100% of the principal amount thereof, plus a "make-whole" premium as of, and accrued and unpaid interest to, the redemption date. At any time on or after June 15, 2027, but prior to the maturity date of September 15, 2027, the Company, at its option, may redeem some or all of the 2027 Notes, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest to the redemption date.
Guarantees
The Notes are senior unsecured obligations. As discussed further in "— Credit Agreement" below, upon termination of the Company’s prior credit agreement, the subsidiaries that previously guaranteed the 2024 Notes and 2025 Notes were automatically released as guarantors. There are currently no guarantors of the Company’s obligations under the Notes.
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 indenture governing the 2024 Notes limits the ability of the Company to enter into sale and leaseback transactions. The indentures governing the Notes also provide for customary events of default. As of September 30, 2017, the Company was in compliance with all covenants under the indentures governing the Notes.
Credit Agreement
In August 2017, the Company entered into a new unsecured credit agreement (the "Credit Agreement") consisting of a $1.75 billion revolving credit facility ("Revolving Credit Facility") and a $250.0 million term loan facility (the "Term Loan Facility"), both of which mature on August 8, 2022. In connection with this transaction, the Company borrowed $250.0 million under the Term Loan Facility and paid related issuance costs of $5.7 million. At the same time, the Company terminated its previously existing credit agreement, which consisted of a $1.25 billion revolving credit facility and a $500 million term loan facility, and repaid amounts outstanding under the term loan facility of $453.1 million. Together with the offering of the 2027 Notes, these transactions extended the Company's maturity profile and increased its borrowing capacity.
As of September 30, 2017, there were no borrowings outstanding under the Revolving Credit Facility and $250.0 million of borrowings outstanding under the Term Loan Facility. As of December 31, 2016, there were no borrowings outstanding under the Company's prior revolving credit facility and $468.7 million of borrowings outstanding under the Company's prior term loan facility.

Table of Contents
LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Advances under the Revolving Credit Facility and the Term Loan Facility generally bear interest based on (i) the Eurocurrency Rate (as defined in the Credit Agreement) or (ii) the Base Rate (as defined in the Credit Agreement) plus a margin, determined in accordance with a pricing grid. The range and the rate as of September 30, 2017, are as follows (in percentages):

	Eurocurrency Rate			Base Rate		
	Minimum	Maximum	Rate as of September 30, 2017	Minimum	Maximum	Rate as of September 30, 2017
Revolving Credit Agreement	1.00 %	1.60 %	1.30 %	0.00 %	0.60 %	0.30 %
Term Loan Facility	1.125 %	1.90 %	1.50 %	0.125 %	0.90 %	0.50 %

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

Guarantees

The Credit Agreement eliminated the subsidiary guarantees required under the Company's prior credit agreement. There are currently no guarantors of the Company’s obligations under the Credit Agreement.

Covenants

The Credit Agreement contains various customary representations, warranties and covenants by the Company, including, without limitation, (i) covenants regarding maximum leverage, (ii) limitations on fundamental changes involving the Company or its subsidiaries and (iii) limitations on indebtedness and liens. As of September 30, 2017, the Company was in compliance with all covenants under the Credit Agreement.

Scheduled Maturities

As of September 30, 2017, scheduled maturities related to the Term Loan Facility for the five succeeding years, as of the date of this Report, are shown below (in millions):

2017 [1]	$ 1.6
2018	6.3
2019	7.8
2020	14.0
2021	14.0
2022	206.3

[1] Scheduled maturities for the fourth quarter of 2017

Other

As of September 30, 2017, other long-term debt consists of amounts outstanding under capital leases.

For further information related to the 2024 Notes, the 2025 Notes and the prior credit agreement, 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, 2016.

Table of Contents
LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

(9) 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 cost are shown below (in millions):

	Three Months Ended				Nine Months Ended			
	September 30, 2017		October 1, 2016		September 30, 2017		October 1, 2016	
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
Service cost	$1.3	$ 1.8	$1.4	$ 1.6	$3.8	$ 5.3	$4.2	$ 4.8
Interest cost	5.5	4.0	7.5	3.8	16.4	11.2	22.4	11.9
Expected return on plan assets	(7.3)	(5.9)	(9.5)	(5.9)	(21.7)	(17.0)	(28.6)	(17.5)
Amortization of actuarial loss	0.6	1.3	0.6	0.8	1.9	3.8	2.0	2.3
Settlement loss	—	—	—	—	0.2	0.8	0.2	—
Net periodic benefit cost	$0.1	$ 1.2	$—	$ 0.3	$0.6	$ 4.1	$0.2	$ 1.5

In the nine months ended September 30, 2017, the Company recognized a pension settlement loss of $0.8 million related to its restructuring actions.
The components of the Company's net periodic other postretirement benefit (credit) cost are shown below (in millions):

	Three Months Ended				Nine Months Ended			
	September 30, 2017		October 1, 2016		September 30, 2017		October 1, 2016	
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
Service cost	$—	$ 0.1	$—	$ 0.1	$0.1	$ 0.4	$0.1	$ 0.4
Interest cost	0.6	0.4	0.9	0.4	1.8	1.2	2.4	1.2
Amortization of actuarial (gain) loss	(0.7)	0.1	(0.3)	0.1	(2.0)	0.2	(0.9)	0.2
Amortization of prior service credit	—	(0.1)	—	(0.1)	—	(0.3)	—	(0.3)
Special termination benefits	—	—	—	—	—	0.1	—	0.3
Net periodic benefit (credit) cost	$(0.1)	$ 0.5	$0.6	$ 0.5	$(0.1)	$ 1.6	$1.6	$ 1.8

Contributions
In the nine months ended September 30, 2017, employer contributions to the Company's domestic and foreign defined benefit pension plans were $7.6 million.
The Company expects contributions to its domestic and foreign defined benefit pension plans to be approximately $10 million to $15 million in 2017. 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.

Table of Contents
LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

	Three Months Ended		Nine Months Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Other expense	$ 34.4	$ 15.5	$47.2	$ 34.7
Other income	(56.2)	(1.3)	(59.5)	(35.5)
Other (income) expense, net	$ (21.8)	$ 14.2	$(12.3)	$ (0.8)

In the three and nine months ended September 30, 2017, other expense includes a loss of $21.2 million on the extinguishment of debt and net foreign currency transaction losses of $5.3 million and $3.9 million, respectively. In the three and nine months ended September 30, 2017, other income includes a gain of $54.2 million related to the consolidation of an affiliate (Note 6, "Long-Term Assets").
In the three and nine months ended October 1, 2016, other expense includes net foreign currency transaction losses of $3.6 million and $5.4 million, respectively. In the nine months ended October 1, 2016, other income includes a gain of $30.3 million related to the consolidation of an affiliate. For further information related to the 2016 consolidation 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, 2016.

(11) Income Taxes
A summary of the provision for income taxes and the corresponding effective tax rate for the three and nine months ended September 30, 2017 and October 1, 2016, is shown below (in millions, except effective tax rates):

	Three Months Ended		Nine Months Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Provision for income taxes	$77.8	$ 88.2	$240.2	$287.4
Pretax income before equity in net income of affiliates	$385.3	$ 310.3	$1,159.4	$1,030.2
Effective tax rate	20.2 %	28.4 %	20.7 %	27.9 %

On January 1, 2017, the Company adopted Accounting Standards Update ("ASU") 2016-09, "Improvements to Employee Share-Based Payment Accounting." The new standard requires that the tax impact related to the difference between share-based compensation for book and tax purposes be recognized as income tax benefit or expense in the Company’s condensed consolidated statement of comprehensive income in the reporting period in which such awards vest. The standard also required a modified retrospective adoption for previously unrecognized excess tax benefits. Accordingly, the Company recognized a deferred tax asset of $54.5 million and a corresponding credit to retained earnings in conjunction with the adoption. The effects of adopting the other provisions of ASU 2016-09 were not significant.
In the first nine months of 2017 and 2016, the provision for income taxes was primarily impacted by the level and mix of earnings among tax jurisdictions. In the first nine months of 2017, the Company recognized net tax benefits of $68.4 million, of which $28.7 million related to the reversal of valuation allowances on the deferred tax assets of certain foreign subsidiaries, $16.3 million related to the change in the accounting for share-based compensation discussed above, $7.5 million related to the redemption of the 2023 Notes and $15.9 million related to restructuring charges and various other items. In addition, the Company recognized a gain of $54.2 million related to the

consolidation of an affiliate, for which no tax expense was provided. In the first nine months of 2016, the Company recognized net tax benefits of $14.5 million related to restructuring charges and various other items. In addition, the Company recognized a gain of $30.3 million related to the consolidation of an affiliate, for which no tax expense was provided. Excluding these items, the effective tax rate for the first nine months of 2017 and 2016 approximated the U.S. federal statutory income tax rate of 35% adjusted for income taxes on foreign earnings, losses and remittances, valuation allowances, tax credits, income tax incentives and other permanent items.

Table of Contents
LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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.
As of September 30, 2017, the Company has approximately $300 million of excess foreign tax credits at certain foreign subsidiaries that cannot be recognized under GAAP until the related foreign earnings are repatriated to the United States through dividends. It is likely that the Company will repatriate these foreign earnings and recognize all or a substantial portion of such foreign tax credits in the fourth quarter of 2017. The recognition of these foreign tax credits would create a deferred tax asset that under current U.S. tax law may reduce U.S. tax on certain foreign source income over the next several years.
For further information related to the 2017 consolidation of an affiliate, see Note 6, "Long-Term Assets." 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, 2016.

(12) Net Income Per Share Attributable to Lear
Basic net income per share available to Lear common stockholders is computed using the two-class method by dividing net income attributable to Lear, after deducting the redemption adjustment related to the redeemable noncontrolling interest, by the average number of common shares outstanding during the period. Common shares issuable upon the satisfaction of certain conditions pursuant to a contractual agreement are considered common shares outstanding and are included in the computation of basic net income per share available to Lear common stockholders.
Diluted net income per share available to Lear common stockholders is computed using the two-class method by dividing net income attributable to Lear, after deducting the redemption adjustment related to the redeemable noncontrolling interest, by the average number of common shares outstanding, including the dilutive effect of common stock equivalents computed using the treasury stock method and the average share price during the period.
A summary of information used to compute basic and diluted net income per share available to Lear common stockholders is shown below (in millions, except share and per share data):

	Three Months Ended		Nine Months Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Net income attributable to Lear	$295.2	$ 214.4	$912.9	$ 745.2
Less: Redeemable noncontrolling interest adjustment	(22.7)	—	(22.7)	—
Net income available to Lear common stockholders	$272.5	$ 214.4	$890.2	$ 745.2

Average common shares outstanding	68,061,718	71,259,766	68,874,682	73,102,327
Dilutive effect of common stock equivalents	772,561	792,504	662,126	706,893
Average diluted shares outstanding	68,834,279	72,052,270	69,536,808	73,809,220
Basic net income per share available to Lear common stockholders	$4.00	$ 3.01	$12.92	$ 10.19
Diluted net income per share available to Lear common stockholders	$3.96	$ 2.98	$12.80	$ 10.10

For further information related to the redeemable noncontrolling interest adjustment, see Note 6, "Long-Term Assets."

17

Table of Contents
LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

(13) 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.
A summary of comprehensive income and reconciliations of equity, Lear Corporation stockholders' equity and noncontrolling interests for the three and nine months ended September 30, 2017, is shown below (in millions):

	Three Months Ended September 30, 2017			Nine Months Ended September 30, 2017		
	Equity	Lear Corporation Stockholders' Equity	Non-controlling Interests	Equity	Lear Corporation Stockholders' Equity	Non-controlling Interests
Beginning equity balance	$3,756.2	$ 3,621.9	$ 134.3	$3,192.9	$ 3,057.2	$ 135.7
Stock-based compensation transactions	14.9	14.9	—	8.4	8.4	—
Repurchase of common stock	(77.9)	(77.9)	—	(332.2)	(332.2)	—
Dividends declared to Lear Corporation stockholders	(34.8)	(34.8)	—	(105.8)	(105.8)	—
Dividends declared to noncontrolling interest holders	(0.7)	—	(0.7)	(33.2)	—	(33.2)
Adoption of ASU 2016-09 (Note 11, "Taxes")	—	—	—	54.5	54.5	—
Redeemable non-controlling interest adjustment	(22.7)	(22.7)	—	(22.7)	(22.7)	—
Comprehensive income:						
Net income	315.0	295.2	19.8	960.5	912.9	47.6
Other comprehensive income, net of tax:						
Defined benefit plan adjustments	(1.8)	(1.8)	—	(3.0)	(3.0)	—
Derivative instruments and hedging activities	(10.8)	(10.8)	—	57.2	57.2	—
Foreign currency translation adjustments	89.9	87.1	2.8	250.7	244.6	6.1
Other comprehensive income	77.3	74.5	2.8	304.9	298.8	6.1
Comprehensive income	392.3	369.7	22.6	1,265.4	1,211.7	53.7
Ending equity balance	$4,027.3	$ 3,871.1	$ 156.2	$4,027.3	$ 3,871.1	$ 156.2

Table of Contents
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 nine months ended September 30, 2017, is shown below (in millions):

	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2017
Defined benefit plans:		
Balance at beginning of period	$ (194.0)	$ (192.8)
Reclassification adjustments (net of tax expense of $0.3 million and $1.2 million in the three and nine months ended September 30, 2017, respectively)	0.9	3.4
Other comprehensive loss recognized during the period (net of tax impact of $— million in the three and nine months ended September 30, 2017)	(2.7)	(6.4)
Balance at end of period	$ (195.8)	$ (195.8)
Derivative instruments and hedging:		
Balance at beginning of period	$ 22.9	$ (45.1)
Reclassification adjustments (net of tax benefit of $1.0 million and tax expense of $1.9 million in the three and nine months ended September 30, 2017, respectively)	(3.1)	5.7
Other comprehensive income (loss) recognized during the period (net of tax benefit of $3.2 million and tax expense of $16.6 million in the three and nine months ended September 30, 2017, respectively)	(7.7)	51.5
Balance at end of period	$ 12.1	$ 12.1
Foreign currency translation:		
Balance at beginning of period	$ (440.2)	$ (597.7)
Other comprehensive income recognized during the period (net of tax impact of $— million in the three and nine months ended September 30, 2017)	87.1	244.6
Balance at end of period	$ (353.1)	$ (353.1)

In the three and nine months ended September 30, 2017, foreign currency translation adjustments are related primarily to the strengthening of the Euro and, to a lesser extent, the Chinese renminbi relative to the U.S. dollar. In the three and nine months ended September 30, 2017, foreign currency translation adjustments include pretax losses of $0.2 million and pretax gains of $0.6 million, respectively, related to intercompany transactions for which settlement is not planned or anticipated in the foreseeable future.

Table of Contents
LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

A summary of comprehensive income and reconciliations of equity, Lear Corporation stockholders' equity and noncontrolling interests for the three and nine months ended October 1, 2016, is shown below (in millions):

	Three Months Ended October 1, 2016			Nine Months Ended October 1, 2016		
	Equity	Lear Corporation Stockholders' Equity	Non-controlling Interests	Equity	Lear Corporation Stockholders' Equity	Non-controlling Interests
Beginning equity balance	$3,156.1	$ 3,012.8	$ 143.3	$3,017.7	$ 2,927.4	$ 90.3
Stock-based compensation transactions	15.6	15.6	—	6.7	6.7	—
Repurchase of common stock	(152.7)	(152.7)	—	(557.7)	(557.7)	—
Dividends declared to Lear Corporation stockholders	(21.9)	(21.9)	—	(67.5)	(67.5)	—
Dividends declared to noncontrolling interest holders	(0.4)	—	(0.4)	(13.2)	—	(13.2)
Consolidation of affiliate	1.0	—	1.0	41.0	—	41.0
Non-controlling interests — other	—	—	—	—	(2.2)	2.2
Comprehensive income:						
Net income	235.0	214.4	20.6	792.0	745.2	46.8
Other comprehensive income (loss), net of tax:						
Defined benefit plan adjustments	1.5	1.5	—	(0.2)	(0.2)	—
Derivative instruments and hedging activities	0.8	0.8	—	(10.6)	(10.6)	—
Foreign currency translation adjustments	8.0	8.0	—	34.8	37.4	(2.6)
Other comprehensive income (loss)	10.3	10.3	—	24.0	26.6	(2.6)
Comprehensive income	245.3	224.7	20.6	816.0	771.8	44.2
Ending equity balance	$3,243.0	$ 3,078.5	$ 164.5	$3,243.0	$ 3,078.5	$ 164.5

Table of Contents
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 nine months ended October 1, 2016, is shown below (in millions):

	Three Months Ended October 1, 2016	Nine Months Ended October 1, 2016
Defined benefit plans:		
Balance at beginning of period	$(196.3)	$(194.6)
Reclassification adjustments (net of tax expense of $0.3 million and $1.0 million in the three and nine months ended October 1, 2016, respectively)	0.8	2.5
Other comprehensive income (loss) recognized during the period (net of tax impact of $— million in the three and nine months ended October 1, 2016)	0.7	(2.7)
Balance at end of period	$(194.8)	$(194.8)
Derivative instruments and hedging:		
Balance at beginning of period	$(50.1)	$(38.7)
Reclassification adjustments (net of tax expense of $6.0 million and $16.7 million in the three and nine months ended October 1, 2016, respectively)	17.1	46.2
Other comprehensive loss recognized during the period (net of tax benefit of $6.0 million and $20.5 million in the three and nine months ended October 1, 2016, respectively)	(16.3)	(56.8)
Balance at end of period	$(49.3)	$(49.3)
Foreign currency translation:		
Balance at beginning of period	$(467.4)	$(496.8)
Other comprehensive income recognized during the period (net of tax impact of $— million in the three and nine months ended October 1, 2016)	8.0	37.4
Balance at end of period	$(459.4)	$(459.4)

In the three months ended October 1, 2016, foreign currency translation adjustments are related primarily to the strengthening of the Euro relative to the U.S. dollar. In the nine months ended October 1, 2016, foreign currency translation adjustments are related primarily to the strengthening of the Euro and Brazilian real relative to the U.S. dollar, partially offset by the weakening of the Chinese renminbi relative to the U.S. dollar, and include pretax losses of $0.5 million related to intercompany transactions for which settlement is not planned or anticipated in the foreseeable future.

For further information regarding reclassification adjustments related to the Company's defined benefit plans, see Note 9, "Pension and Other Postretirement Benefit Plans." For further information regarding reclassification adjustments related to the Company's derivative and hedging activities, see Note 16, "Financial Instruments."

Lear Corporation Stockholders' Equity

Common Stock Share Repurchase Program

In February 2017, the Company's Board of Directors authorized a $658.8 million increase to the existing common stock share repurchase program to provide for a remaining aggregate repurchase authorization of $1.0 billion and extended the term of the program to December 31, 2019. In the first nine months of 2017, the Company paid, in aggregate, $332.2 million for repurchases of its outstanding common stock (2,320,469 shares at an average purchase price of $143.14 per share, excluding commissions). As of the end of the third quarter of 2017, the Company has a remaining repurchase authorization of $667.8 million under its ongoing common stock share repurchase program. 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.

Since the first quarter of 2011, the Company's Board of Directors has authorized $4.1 billion in share repurchases under its common stock share repurchase program. As of the end of the third quarter of 2017, the Company has paid, in aggregate, $3.4 billion for repurchases of its outstanding common stock, at an average price of $78.18 per share, excluding commissions and related fees.

In addition to shares repurchased under the Company's common stock share repurchase program described in the preceding paragraphs, the Company classified shares withheld from the settlement of the Company's restricted stock unit and performance share awards to cover minimum tax withholding requirements as common stock held in treasury in the accompanying condensed consolidated balance sheets as of September 30, 2017 and December 31, 2016.

As approved by the Board of Directors, in May 2017, the Company retired 8.0 million shares of common stock held in treasury. These retired shares are reflected as authorized, but not issued, in the accompanying condensed consolidated balance sheet as of September 30, 2017. The retirement of shares held in treasury resulted in a reduction in the par value of common stock, additional paid-in capital and retained earnings of $0.1 million, $155.9 million and $735.5 million, respectively. These reductions were offset by a corresponding reduction in shares held in treasury of $891.5 million. Accordingly, there was no effect on stockholders' equity as a result of this transaction.

Quarterly Dividend

In the first nine months of 2017 and 2016, the Company's Board of Directors declared quarterly cash dividends of $0.50 and $0.30 per share of common stock, respectively. In the first nine months of 2017, declared dividends totaled $105.8 million, and dividends paid totaled $104.4 million. In the first nine months of 2016, declared dividends totaled $67.5 million, and dividends paid totaled $68.1 million. 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.

Noncontrolling Interests

In the first nine months of 2017 and 2016, the Company gained control of and consolidated affiliates. For further information related to the 2017 consolidation, see Note 6, "Long-Term Assets." For further information related to the 2016 consolidation, see Note 5, "Investment 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, 2016.

(14) Legal and Other Contingencies

As of September 30, 2017 and December 31, 2016, the Company had recorded reserves for pending legal disputes, including commercial disputes and other matters, of $8.7 million and $11.0 million, respectively. Such reserves reflect amounts recognized in accordance with GAAP and exclude the cost of legal representation. Product liability and warranty reserves are recorded separately from legal reserves, as described below.

Commercial Disputes

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

Product Liability and Warranty Matters

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

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

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

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

A summary of the changes in reserves for product liability and warranty claims for the nine months ended September 30, 2017, is shown below (in millions):

Balance at January 1, 2017	$49.1
Expense, net (including changes in estimates)	12.5
Settlements	(15.5)
Foreign currency translation and other	3.0
Balance at September 30, 2017	$49.1

Environmental Matters

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

As of September 30, 2017 and December 31, 2016, the Company had recorded environmental reserves of $9.0 million. The Company does not believe that the environmental liabilities associated with its current and former properties will have a material adverse impact on its business, financial condition, results of operations or cash flows; however, no assurances can be given in this regard.

Other Matters

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

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.

(15) 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, electronic control modules and associated software and wireless communication modules. Key components in the electrical distribution system include wiring harnesses, terminals and connectors and junction boxes, including components for high power and hybrid electric systems. 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.

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

Table of Contents
LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

	Three Months Ended September 30, 2017			
	Seating	E-Systems	Other	Consolidated
Revenues from external customers	$3,868.9	$ 1,112.6	$ —	$ 4,981.5
Segment earnings [1]	298.8	155.5	(69.1)	385.2
Depreciation and amortization	76.7	31.3	3.7	111.7
Capital expenditures	109.7	42.7	3.8	156.2
Total assets	7,413.5	2,262.7	2,035.8	11,712.0
	Three Months Ended October 1, 2016			
	Seating	E-Systems	Other	Consolidated
Revenues from external customers	$3,513.3	$ 1,013.1	$ —	$ 4,526.4
Segment earnings [1]	269.5	140.3	(64.7)	345.1
Depreciation and amortization	67.9	27.5	3.3	98.7
Capital expenditures	80.3	34.9	3.4	118.6
Total assets	6,348.8	1,746.6	2,182.0	10,277.4

Nine
Months
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