# 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 30, 2021**

**OR**

☐ **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: 0-21810**

# GENTHERM INCORPORATED
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Michigan**<br>**(State or other jurisdiction of incorporation or organization)** | **95-4318554**<br>**(I.R.S. Employer Identification No.)** |
| **21680 Haggerty Road, Northville, MI**<br>**(Address of principal executive offices)** | **48167**<br>**(Zip Code)** |

**Registrant's telephone number, including area code: (248) 504-0500**

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

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|---|---|---|
| Common Stock, no par value | THRM | Nasdaq |

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the 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 | ☒ | 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 ☒

At July 26, 2021, there were 33,154,603 issued and outstanding shares of Common Stock of the registrant.

**GENTHERM INCORPORATED**

**TABLE OF CONTENTS**

# PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## GENTHERM INCORPORATED

### CONSOLIDATED CONDENSED BALANCE SHEETS
**(In thousands, except share data)**
**(Unaudited)**

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 186,863 | $ 268,345 |
| Accounts receivable, net | 198,225 | 211,672 |
| Inventory: | | |
| Raw materials | 80,208 | 68,362 |
| Work in process | 9,369 | 8,247 |
| Finished goods | 48,669 | 45,792 |
| Inventory, net | 138,246 | 122,401 |
| Other current assets | 35,668 | 41,188 |
| Total current assets | 559,002 | 643,606 |
| Property and equipment, net | 155,439 | 152,581 |
| Goodwill | 66,710 | 68,024 |
| Other intangible assets, net | 41,009 | 46,421 |
| Operating lease right-of-use assets | 26,195 | 30,642 |
| Deferred income tax assets | 72,558 | 73,912 |
| Other non-current assets | 12,960 | 7,653 |
| Total assets | $ 933,873 | $ 1,022,839 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Current Liabilities: | | |
| Accounts payable | $ 115,096 | $ 116,043 |
| Current lease liabilities | 6,046 | 6,032 |
| Current maturities of long-term debt | 2,500 | 2,500 |
| Other current liabilities | 83,500 | 81,409 |
| Total current liabilities | 207,142 | 205,984 |
| Long-term debt, less current maturities | 45,794 | 189,934 |
| Non-current lease liabilities | 21,275 | 24,233 |
| Pension benefit obligation | 7,644 | 8,163 |
| Other non-current liabilities | 6,808 | 8,194 |
| Total liabilities | $ 288,663 | $ 436,508 |
| Shareholders' equity: | | |
| Common Stock: | | |
| No par value; 55,000,000 shares authorized 33,145,066 and 32,921,341 issued and outstanding at June 30, 2021 and December 31, 2020, respectively | 132,742 | 121,073 |
| Paid-in capital | 6,162 | 7,458 |
| Accumulated other comprehensive loss | (24,176) | (14,982) |
| Accumulated earnings | 530,482 | 472,782 |
| Total shareholders' equity | 645,210 | 586,331 |
| Total liabilities and shareholders' equity | $ 933,873 | $ 1,022,839 |

See accompanying notes to the consolidated condensed financial statements.

**GENTHERM INCORPORATED**

**CONSOLIDATED CONDENSED STATEMENTS OF INCOME (LOSS)**
**(In thousands, except per share data)**
**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Product revenues | $ 266,005 | $ 136,061 | $ 554,540 | $ 364,674 |
| Cost of sales | 186,792 | 109,326 | 387,658 | 271,872 |
| Gross margin | 79,213 | 26,735 | 166,882 | 92,802 |
| Operating expenses: | | | | |
| Net research and development expenses | 18,227 | 15,341 | 35,830 | 33,101 |
| Selling, general and administrative expenses | 27,223 | 21,889 | 55,749 | 47,729 |
| Restructuring expenses | 2,091 | (598) | 2,882 | 3,168 |
| Total operating expenses | 47,541 | 36,632 | 94,461 | 83,998 |
| Operating income (loss) | 31,672 | (9,897) | 72,421 | 8,804 |
| Interest expense, net | (630) | (1,361) | (1,669) | (2,109) |
| Foreign currency (loss) gain | (515) | (1,741) | 258 | (2,679) |
| Other income | 12 | 2,882 | 3 | 3,146 |
| Earnings (loss) before income tax | 30,539 | (10,117) | 71,013 | 7,162 |
| Income tax expense | 5,748 | 205 | 13,313 | 5,611 |
| Net income (loss) | $ 24,791 | $ (10,322) | $ 57,700 | $ 1,551 |
| Basic earnings (loss) per share | $ 0.75 | $ (0.32) | $ 1.75 | $ 0.05 |
| Diluted earnings (loss) per share | $ 0.74 | $ (0.32) | $ 1.72 | $ 0.05 |
| Weighted average number of shares – basic | 33,100 | 32,580 | 33,025 | 32,635 |
| Weighted average number of shares – diluted | 33,544 | 32,580 | 33,469 | 32,869 |

See accompanying notes to the consolidated condensed financial statements.

**GENTHERM INCORPORATED**

**CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**
**(In thousands)**
**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Net income (loss) | $ 24,791 | $ (10,322) | $ 57,700 | $ 1,551 |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation adjustments | 4,528 | 5,947 | (8,624) | (2,793) |
| Unrealized (loss) gain on foreign currency derivative securities, net of tax | (48) | 1,139 | (570) | (2,611) |
| Other comprehensive income (loss), net of tax | 4,480 | 7,086 | (9,194) | (5,404) |
| Comprehensive income (loss) | $ 29,271 | $ (3,236) | $ 48,506 | $ (3,853) |

See accompanying notes to the consolidated condensed financial statements.

**GENTHERM INCORPORATED**

**CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS**
**(In thousands)**
**(Unaudited)**

| | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 |
|---|---|---|
| Operating Activities: | | |
| Net income | $ 57,700 | $ 1,551 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 19,571 | 20,488 |
| Deferred income taxes | (225) | (913) |
| Non-cash stock based compensation | 6,199 | 3,909 |
| Change in defined benefit pension plans | (669) | (278) |
| Loss on disposition of property and equipment | 496 | 339 |
| Operating lease expense | 4,629 | 3,490 |
| Gain on sale of patents | — | (1,978) |
| Changes in assets and liabilities: | | |
| Accounts receivable, net | 11,647 | 38,410 |
| Inventory | (17,211) | 5,292 |
| Other assets | 3,986 | 2,888 |
| Accounts payable | (289) | (17,753) |
| Other liabilities | (1,472) | (5,218) |
| Net cash provided by operating activities | 84,362 | 50,227 |
| Investing Activities: | | |
| Purchases of property and equipment | (20,669) | (7,500) |
| Acquisition of intangible assets | — | (3,141) |
| Proceeds from the sale of patents and property and equipment | 10 | 1,061 |
| Cost of technology investment | (5,200) | — |
| Net cash used in investing activities | (25,859) | (9,580) |
| Financing Activities: | | |
| Borrowing of debt | — | 201,193 |
| Repayments of debt | (143,731) | (81,830) |
| Cash paid for the repurchase of Common Stock | — | (9,092) |
| Proceeds from the exercise of Common Stock options | 6,292 | 6,178 |
| Cash paid for the cancellation of restricted stock | (2,117) | (471) |
| Acquisition contingent consideration payment | (69) | — |
| Net cash (used in) provided by financing activities | (139,625) | 115,978 |
| Foreign currency effect | (360) | 2,102 |
| Net (decrease) increase in cash, cash equivalents and restricted cash | (81,482) | 158,727 |
| Cash, cash equivalents and restricted cash at beginning of period | 268,345 | 52,948 |
| Cash, cash equivalents and restricted cash at end of period | $ 186,863 | $ 211,675 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid (refund) for taxes | $ 8,563 | $ (3,117) |
| Cash paid for interest | $ 1,455 | $ 1,967 |

See accompanying notes to the consolidated condensed financial statements.

## GENTHERM INCORPORATED

## CONSOLIDATED CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
**(In thousands)**
**(Unaudited)**

| | Common Stock | | Paid-in | Accumulated Other Comprehensive | Accumulated | |
|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Loss | Earnings | Total |
| Balance at December 31, 2020 | 32,921 | $ 121,073 | $ 7,458 | $ (14,982) | $ 472,782 | $ 586,331 |
| Net income | — | — | — | — | 32,909 | 32,909 |
| Other comprehensive loss | — | — | — | (13,674) | — | (13,674) |
| Stock compensation, net | 190 | 8,527 | (1,335) | — | — | 7,192 |
| Balance at March 31, 2021 | 33,111 | 129,600 | 6,123 | (28,656) | 505,691 | 612,758 |
| Net income | — | — | — | — | 24,791 | 24,791 |
| Other comprehensive income | — | — | — | 4,480 | — | 4,480 |
| Stock compensation, net | 34 | 3,142 | 39 | — | — | 3,181 |
| Balance at June 30, 2021 | 33,145 | $ 132,742 | $ 6,162 | $ (24,176) | $ 530,482 | $ 645,210 |

| | Common Stock | | Paid-in | Accumulated Other Comprehensive | Accumulated | |
|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Loss | Earnings | Total |
| Balance at December 31, 2019 | 32,674 | $ 102,507 | $ 10,852 | $ (42,441) | $ 401,732 | $ 472,650 |
| Net income | — | — | — | — | 11,873 | 11,873 |
| Other comprehensive loss | — | — | — | (12,490) | — | (12,490) |
| Stock compensation, net | 171 | 8,644 | (1,204) | — | — | 7,440 |
| Stock repurchase | (246) | (9,092) | — | — | — | (9,092) |
| Balance at March 31, 2020 | 32,599 | 102,059 | 9,648 | (54,931) | 413,605 | 470,381 |
| Net loss | — | — | — | — | (10,322) | (10,322) |
| Other comprehensive income | — | — | — | 7,086 | — | 7,086 |
| Stock compensation, net | 41 | 2,054 | 122 | — | — | 2,176 |
| Balance at June 30, 2020 | 32,640 | $ 104,113 | $ 9,770 | $ (47,845) | $ 403,283 | $ 469,321 |

See accompanying notes to the consolidated condensed financial statements.

## Note 1 – Overview

Gentherm Incorporated is a global developer and marketer of innovative thermal management technologies for a broad range of heating and cooling and temperature control applications. Unless the context otherwise requires, the terms "Gentherm", "Company", "we", "us" and "our" used herein refer to Gentherm Incorporated and its consolidated subsidiaries. Our products provide solutions for automotive passenger climate comfort and convenience, battery thermal management and cell connecting systems, as well as patient temperature management within the health care industry. Our automotive products can be found in the vehicles of nearly all major automotive manufacturers operating in North America and Europe, and several major automotive manufacturers in Asia. We operate in locations aligned with our major customers' product strategies to provide locally enhanced design, integration and production capabilities. We are also developing a number of new technologies and products that are expected to help enable improvements to existing products and to create new product applications for existing and new markets.

*Basis of Presentation and Significant Accounting Policies*

The unaudited consolidated condensed financial statements included herein have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to those rules and regulations. The information furnished in the consolidated condensed financial statements include all adjustments (consisting of only normal, recurring adjustments), considered necessary to present fairly the results of operations, financial position and cash flows of the Company. These financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2020. The operating results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year.

In preparing these financial statements, management was required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. 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. These estimates and assumptions are subject to an inherent degree of uncertainty. We are not presently aware of any events or circumstances that would require us to update such estimates and assumptions or revise the carrying value of our assets or liabilities. Our estimates may change, however, as new events occur and additional information is obtained. As a result, actual results may differ significantly from our estimates, and any such differences may be material to our financial statements.

*Principles of consolidation*

The consolidated condensed financial statements include the accounts of the Company, its wholly owned subsidiaries and those entities in which it has a controlling financial interest. The Company evaluates its relationship with other entities for consolidation and to identify whether such entities are variable interest entities ("VIE") and to assess whether the Company is the primary beneficiary of such entities. Investments in affiliates in which Gentherm 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. When Gentherm does not have the ability to exercise significant influence (generally when ownership interest is less than 20%), investments in affiliates are measured at cost, less impairments, adjusted for observable price changes in orderly transactions for identical or similar investments of the same issuer.

During the six months ended June 30, 2021, the Company invested $5,200 for an ownership interest in Carrar Ltd. ("Carrar"), an Israel-based technology developer of advanced thermal management systems for the electric mobility market. The Company determined that Carrar is a VIE; however, the Company does not have a controlling financial interest or have the power to direct the activities that most significantly affect the economic performance of the investment. Therefore, the Company has concluded that it is not the primary beneficiary. Gentherm's investment in Carrar is measured at cost, less impairments, adjusted for observable price changes in orderly transactions for identical or similar investments of the same issuer, and is recorded in Other non-current assets.

*Revenue Recognition*

The Company has no material contract assets or contract liabilities as of June 30, 2021.

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if the benefits of those costs are expected to be realized for a period greater than one year. Total capitalized costs to obtain a contract were $1,598 and $1,805 as of June 30, 2021 and December 31, 2020, respectively. These amounts are recorded in Other non-current assets and are being amortized into Product revenues over the expected production life of the applicable program.

*Impact of COVID-19*

The COVID-19 pandemic began in China around December 2019. The impact of the outbreak quickly expanded beyond China and its surrounding region. The COVID-19 pandemic significantly disrupted and adversely impacted global economic activity and the global automotive markets in the first half of 2020, which had significant negative impacts on Gentherm's financial performance in the first half of 2020. During the first quarter of 2020, customer plants in North America and Europe were closed beginning in the second half of March due to the pandemic. This resulted in temporary, partial closures of several of our manufacturing facilities in North America and Europe by the end of March 2020. During the second quarter of 2020, our manufacturing facilities in North America and Europe remained closed until the last week in May due to the pandemic, gradually resuming production to near full capacity in North America, and to about 70% capacity in Europe by the end of June. Customer plants and our manufacturing facilities in Asia were closed for several weeks in February and operated at reduced volumes in March 2020, resuming production to near full capacity by the end of the first quarter, which continued throughout the second quarter of 2020. Other adverse impacts of the pandemic include supply chain and production disruptions, workforce restrictions, travel restrictions and reduced consumer spending. We significantly recovered in the second half of 2020, with increased strong production volumes versus the first half of that year and stronger than pre-COVID levels. This recovery continued in the first and second quarters of 2021. However, the COVID-19 pandemic is ongoing globally and continues to have a significant impact on global automotive markets in 2021, in the form of supply chain and production disruptions, workforce restrictions and travel restrictions, among other factors, and we remain subject to related risks.

The increased consumer demand and vehicle production schedules in the second half of 2020, particularly in the fourth quarter, was unexpected in certain areas of our supply chain. This surge in demand, as well as a significant increased consumer demand for personal electronics, during the latter half of 2020 led to a worldwide semiconductor supply shortage in early 2021. Semiconductor suppliers have not been able to quickly reallocate production lines to serve the full capacity needs of the automotive industry. Other recent pandemic-related issues have exacerbated port congestion and intermittent supplier shutdowns and delays, resulting in additional expenses to expedite delivery of critical parts and manufacturing delays. Our suppliers also have experienced plant closures and production delays, and may continue to experience delays in manufacturing the materials and products we require according to our schedule and specifications. We are working closely with our suppliers and customers to minimize any potential adverse impacts, and we continue to closely monitor the availability of semiconductor microchips and other component parts and raw materials, customer vehicle production schedules and any other supply chain inefficiencies that may arise. The consequences of the pandemic and adverse impact to the economy continue to evolve and the future adverse impact on our business and financial statements remains subject to significant uncertainty as of the date of this filing.

*Segment Reporting*

The Company has two reportable segments: Automotive, which includes automotive climate comfort systems, automotive cable systems, battery performance solutions and automotive electronic and software systems; and Medical.

In 2020, the previously-named Industrial reporting segment was renamed the Medical reporting segment to reflect the patient temperature management business as the focus and strategic direction of this segment. Also, during 2020, the advanced research and development costs not associated with the Medical segment were presented within the Automotive segment, as the advanced research and development organization primarily supports the Automotive related research and development activities following the divestitures of our former remote power generation systems business, Gentherm Global Power Technologies ("GPT") and our former environmental test equipment business, Cincinnati Sub Zero industrial chamber business ("CSZ-IC").

*Subsequent Events*

On July 1, 2021, the Company's Medical segment acquired the medical business unit of a German based developer and manufacturer of electronic control units for 2,400 Euros.

On July 22, 2021, the Company's Automotive segment invested 2,000 Euros in a European automotive technology company that specializes in the development of hands on detection technology.

**Note 2 – New Accounting Pronouncements**

**Recently Adopted Accounting Pronouncements**

*Income Taxes*

In December 2019, the FASB issued ASU No. 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes". This ASU simplifies the accounting for income taxes by removing certain exceptions previously included in the guidance. In addition, the ASU amends existing guidance to improve consistent application. ASU 2019-12 is effective for annual reporting periods beginning after December 15, 2020, and interim periods within those reporting periods. The Company adopted ASU 2019-12 as of January 1, 2021 and there was no significant impact on its consolidated condensed financial statements and related disclosures as a result.

**Recently Issued Accounting Pronouncements Not Yet Adopted**

*Reference Rate Reform*

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of Effects of Reference Rate Reform on Financial Reporting". ASU 2020-04 provides practical expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The expedients and exceptions provided by the amendments in this update apply only to contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued as a result of reference rate reform. These amendments are not applicable to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022. In January 2021, the FASB subsequently issued ASU 2021-01, "Reference Rate Reform (Topic 848): Scope" to clarify that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. ASU 2020-04 and ASU 2021-01 is effective as of March 12, 2020 through December 31, 2022 and may be applied retrospectively to contract modifications and hedging relationships from the beginning of an interim period that includes or is subsequent to March 12, 2020, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the issuance of a final Update, up to the date that financial statements are available to be issued. The Company will adopt this standard when LIBOR is discontinued and does not expect a material impact to its consolidated condensed financial statements.

**Note 3 – Restructuring**

*Manufacturing Footprint Rationalization*

On September 23, 2019, the Company committed to a restructuring plan to improve the Company's manufacturing productivity and rationalize its footprint. Under this plan, the Company is relocating and consolidating certain existing automotive manufacturing and, as a result, reducing the number of plants by two. On March 20, 2020, the Company announced the initial phase of this restructuring plan, which includes the consolidation of all North American electronics manufacturing to Celaya, Mexico. This will result in the closure of the Burlington, Canada facility, and the transfer of electronics manufacturing from Acuña, Mexico. On December 10, 2020, the Company announced the consolidation of its electronics manufacturing in Asia to Bantian, Shenzhen, China, which will result in the closure of our Longgang, Shenzhen, China facility. During the three months ended June 30, 2021, production ceased at our Burlington, Canada facility, and electronics manufacturing continues to transition to Celaya, Mexico.

During the three and six months ended June 30, 2021, the Company recognized restructuring expense of $759 and $965 for employee separation costs, respectively, $97 and $192 for accelerated depreciation, respectively, and $488 and $652 for other costs, respectively. During the three and six months ended June 30, 2020, the Company recognized restructuring expense of $(1,691) and $(1,443), respectively, for employee separation costs and $200 and $442, respectively, of accelerated depreciation and $16 and $16 for other costs. The net activity in 2020 was primarily related to a reduction in the estimates of previously recognized employee separation costs. The Company has recorded approximately $8,946 of restructuring expenses since the inception of this program.

(In thousands, except percentages, share and per share data)

The Company expects to incur total costs of between $16,000 and $19,000, of which between $13,000 and $16,000 are expected to be cash expenditures. The total expected costs include employee separation costs of between $6,500 and $7,500, capital expenditures of between $3,500 and $4,500 and non-cash expenses for accelerated depreciation and impairment of fixed assets of approximately $3,000. The Company also expects to incur other transition costs including recruiting, relocation, and machinery and equipment move and set up costs of between $3,000 and $4,000. The remaining actions under this plan are expected to be substantially completed by the end of 2021. The actual timing, costs and savings of the plan may differ materially from the Company's current expectations and estimates.

*Other Restructuring Activities*

As part of the Company's continued efforts to optimize its cost structure, the Company has undertaken several discrete restructuring actions. During the three and six months ended June 30, 2021, the Company recognized $747 and $1,073, respectively, of employee separation costs. During the three and six months ended June 30, 2020, the Company recognized $860 and $3,914, respectively, of employee separation costs and $17 and $239 of other related costs. These restructuring expenses were primarily associated with restructuring actions focused on the rotation of our manufacturing footprint to best cost locations and the reduction of global overhead costs

*Restructuring Expenses By Reporting Segment*

The following table summarizes restructuring expense for the three months ended June 30, 2021 and 2020 by reporting segment:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Automotive | $ 1,075 | $ (619) | $ 1,866 | $ 2,503 |
| Medical | — | 4 | — | 100 |
| Corporate | 1,016 | 17 | 1,016 | 565 |
| Total | $ 2,091 | $ (598) | $ 2,882 | $ 3,168 |

*Restructuring Liability*

Restructuring liabilities are classified as Other current liabilities in the consolidated condensed balance sheets. The following table summarizes restructuring liability for the six months ended June 30, 2021:

| | Employee Separation Costs | Accelerated Depreciation | Other Related Costs | Total |
|---|---|---|---|---|
| Balance at December 31, 2020 | $ 5,627 | $ — | $ — | $ 5,627 |
| Additions, charged to restructuring expenses | 632 | 95 | 164 | 891 |
| Cash payments | (1,439) | — | (164) | (1,603) |
| Non-cash utilization | — | (95) | — | (95) |
| Change in estimate | (100) | — | — | (100) |
| Currency translation | (74) | — | — | (74) |
| Balance at March 31, 2021 | 4,646 | — | — | 4,646 |
| Additions, charged to restructuring expenses | 1,478 | 97 | 488 | 2,063 |
| Cash payments | (1,099) | — | (488) | (1,587) |
| Non-cash utilization | — | (97) | — | (97) |
| Change in estimate | 28 | — | — | 28 |
| Currency translation | (92) | — | — | (92) |
| Balance at June 30, 2021 | $ 4,961 | $ — | $ — | $ 4,961 |

(In thousands, except percentages, share and per share data)

**Note 4 – Details of Certain Balance Sheet Components**

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| **Other current assets:** | | |
| Notes receivable | $ 11,388 | $ 19,200 |
| Income tax and other tax receivable | 10,077 | 10,514 |
| Billable tooling | 4,035 | 4,831 |
| Prepaid expenses | 8,007 | 3,930 |
| Other | 2,161 | 2,713 |
| Total other current assets | $ 35,668 | $ 41,188 |
| **Other current liabilities:** | | |
| Liabilities from discounts and rebates | $ 28,221 | $ 22,910 |
| Accrued employee liabilities | 25,261 | 26,612 |
| Income tax and other taxes payable | 16,478 | 14,714 |
| Restructuring | 4,961 | 5,627 |
| Accrued warranty | 2,495 | 2,391 |
| Other | 6,084 | 9,155 |
| Total other current liabilities | $ 83,500 | $ 81,409 |

**Note 5 – Goodwill and Other Intangibles**

*Goodwill*

Changes in the carrying amount of goodwill, by reportable segment, for the six months ended June 30, 2021 was as follows:

| | Automotive | Medical | Total |
|---|---|---|---|
| 'Balance as of December 31, 2020 | $ 39,495 | $ 28,529 | $ 68,024 |
| Exchange rate impact | (973) | (341) | (1,314) |
| Balance as of June 30, 2021 | $ 38,522 | $ 28,188 | $ 66,710 |

(In thousands, except percentages, share and per share data)

*Other Intangible Assets*

Other intangible assets and accumulated amortization balances as of June 30, 2021 and December 31, 2020 were as follows:

| | Gross Carrying Value | Accumulated Amortization | Net Carrying Value |
|---|---|---|---|
| **Definite-lived:** | | | |
| Customer relationships | $ 94,501 | $ (64,151) | $ 30,350 |
| Technology | 29,677 | (24,400) | 5,277 |
| Product development costs | 21,359 | (20,647) | 712 |
| **Indefinite-lived:** | | | |
| Tradenames | 4,670 | — | 4,670 |
| Balance as of June 30, 2021 | $ 150,207 | $ (109,198) | $ 41,009 |

| | Gross Carrying Value | Accumulated Amortization | Net Carrying Value |
|---|---|---|---|
| **Definite-lived:** | | | |
| Customer relationships | $ 97,815 | $ (63,432) | $ 34,383 |
| Technology | 30,615 | (24,075) | 6,540 |
| Product development costs | 22,164 | (21,336) | 828 |
| **Indefinite-lived:** | | | |
| Tradenames | 4,670 | — | 4,670 |
| Balance as of December 31, 2020 | $ 155,264 | $ (108,843) | $ 46,421 |

On February 28, 2020, Gentherm acquired the automotive patents and technology of a development-stage technology company for $3,141. The investment was accounted for as an asset acquisition of defensive intangible assets and will be amortized over six years.

In addition to annual impairment testing, which is performed in the fourth quarter of each fiscal year, the Company continuously monitors for events and circumstances that could negatively impact the key assumptions used in determining fair value and therefore require interim impairment testing, including long-term revenue growth projections, profitability, discount rates, recent market valuations from transactions by comparable companies, volatility in the Company's market capitalization, and general industry, market and macroeconomic conditions. We are not presently aware of any events or circumstances that would require us to revise the carrying value of our assets or liabilities as of June 30, 2021.

**Note 6 – Debt**

The following table summarizes the Company’s debt as of June 30, 2021 and December 31, 2020:

| | June 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | Interest Rate | Principal Balance | Interest Rate | Principal Balance |
| Credit Agreement: | | | | |
| U.S. Revolving Note (U.S. Dollar Denominations) | 1.35% | $ 35,000 | 1.65% | $ 171,500 |
| U.S. Revolving Note (Euro Denominations) | 1.25% | 8,294 | 1.50% | 14,684 |
| DEG Vietnam Loan | 5.21% | 5,000 | 5.21% | 6,250 |
| Total debt | | 48,294 | | 192,434 |
| Current maturities | | (2,500) | | (2,500) |
| Long-term debt, less current maturities | | $ 45,794 | | $ 189,934 |

*Credit Agreement*

On June 27, 2019, the Company entered into an Amended and Restated Credit Agreement (the "Credit Agreement") with a consortium of lenders and Bank of America, N.A. as administrative agent, which includes a revolving credit note ("U.S. Revolving Note"). The Credit Agreement has a maximum borrowing capacity of $475,000 and matures on June 27, 2024. The Credit Agreement also provides $15,000 availability for the issuance of letters of credit and a maximum of $40,000 for swing line borrowing. Any amount of the facility utilized for letters of credit or swing line loans outstanding will reduce the amount available under the Credit Agreement. The Company had no outstanding letters of credit issued under the Credit Agreement as of June 30, 2021 and December 31, 2020.

The U.S. borrowers and guarantors participating in the Credit Agreement also entered into a related amended and restated pledge and security agreement. The amended and restated pledge and security agreement grants a security interest to the lenders in substantially all of the personal property of the Company and its U.S. subsidiaries designated as borrowers to secure their respective obligations under the Credit Agreement, including the stock and membership interests of specified subsidiaries (limited to 66% of the stock in the case of certain non-U.S. subsidiaries). In addition to the security obligations, all obligations under the Credit Agreement are unconditionally guaranteed by certain of the Company's subsidiaries. The Credit Agreement restricts, among other things, the amount of dividend payments the Company can make to shareholders.

The Credit Agreement contains covenants, that, among other things, (i) prohibit or limit the ability of the borrowers and any material subsidiary to incur additional indebtedness, create liens, pay dividends, make certain types of investments (including acquisitions), enter into certain types of transactions with affiliates, prepay other indebtedness, sell assets, merge with other companies or enter into certain other transactions outside the ordinary course of business, and (ii) require that Gentherm maintain a minimum Consolidated Interest Coverage Ratio and Consolidated Leverage Ratio (based on consolidated EBITDA for the applicable trailing 12-month period as defined in the Credit Agreement) as of the end of any fiscal quarter. The Credit Agreement also contains customary events of default. As of June 30, 2021, the Company was in compliance with the terms of the Credit Agreement.

Under the Credit Agreement, U.S. Dollar denominated loans bear interest at either a base rate ("Base Rate Loans") or Eurocurrency rate ("Eurocurrency Rate Loans"), plus a margin ("Applicable Rate"). The rate for Base Rate Loans is equal to the highest of the Federal Funds Rate (0.08% at June 30, 2021) plus 0.50%, Bank of America's prime rate (3.25% at June 30, 2021), or the Eurocurrency rate plus 1.00%. The rate for Eurocurrency Rate Loans denominated in U.S. Dollars is equal to the London Interbank Offered Rate (0.10% at June 30, 2021). All loans denominated in a currency other than the U.S. Dollar must be Eurocurrency Rate Loans. Interest is payable at least quarterly.

The Applicable Rate varies based on the Consolidated Leverage Ratio reported by the Company. As long as the Company is not in default of the terms and conditions of the Credit Agreement, the lowest and highest possible Applicable Rate is 1.25% and 2.25%, respectively, for Eurocurrency Rate Loans and 0.25% and 1.25%, respectively, for Base Rate Loans.

In March 2020, the Company increased its borrowings under the Credit Agreement by $169,546 as a safeguard to increase its cash position and provide additional financial flexibility due to the COVID-19 pandemic. The proceeds were used for working capital and for other general corporate purposes permitted by the Credit Agreement. As of the end of the first quarter of 2021, the Company repaid the full drawdown of $169,546 from March 2020 under the Credit Agreement. As of June 30, 2021, $43,294 was outstanding under the Credit Agreement. Borrowing availability is subject to, among other things, the Company's compliance with the minimum Consolidated Interest Coverage Ratio and Consolidated Leverage Ratio as of the end of any fiscal quarter. Based upon consolidated EBITDA for the trailing twelve months calculated for purposes of the Consolidated Leverage Ratio, $431,625 remained available as of June 30, 2021 for additional borrowings under the Credit Agreement subject to specified conditions that Gentherm currently satisfies.

*DEG Vietnam Loan*

The Company also has a fixed interest rate loan with the German Investment Corporation ("DEG"), a subsidiary of KfW Banking Group, a Germany government-owned development bank. The fixed interest rate senior loan agreement with DEG was used to finance the construction and set up of the Vietnam production facility ("DEG Vietnam Loan"). The DEG Vietnam Loan is subject to semi-annual principal payments that began November 2017 and will end May 2023. Under the terms of the DEG Vietnam Loan, the Company must maintain a minimum Enhanced Equity Ratio, as defined by the DEG Vietnam Loan agreement, based on the financial statements of Gentherm's wholly owned subsidiary, Gentherm Vietnam Co. Ltd. As of

(In thousands, except percentages, share and per share data)

June 30, 2021, the Company was in compliance with the terms of the DEG Vietnam Loan.

The scheduled principal maturities of our debt as of June 30, 2021 were as follows:

| | DEG Vietnam Note | U.S. Revolving Note | Total |
|---|---|---|---|
| 2021 | $ 1,250 | $ — | $ 1,250 |
| 2022 | 2,500 | — | 2,500 |
| 2023 | 1,250 | — | 1,250 |
| 2024 | — | 43,294 | 43,294 |
| Total | $ 5,000 | $ 43,294 | $ 48,294 |

## Note 7 – Commitments and Contingencies

The Company may be subject to various legal actions and claims in the ordinary course of its business, including those arising out of breach of contracts, product warranties, product liability, intellectual property rights, environmental matters, regulatory matters and employment-related matters. The Company establishes accruals for matters which it believes that losses are probable and can be reasonably estimated. Although it is not possible to predict with certainty the outcome of these matters, the Company is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on its consolidated condensed results of operations or financial position. Product liability and warranty reserves are recorded separately from legal reserves, as described below.

*Product Liability and Warranty Matters*

The Company accrues warranty obligations for products sold based on management estimates of future failure rates and current claim cost experience, with support from the sales, engineering, quality and legal functions. Using historical information available to the Company, including claims already filed by customers, the warranty accrual is adjusted quarterly to reflect management’s best estimate of future claims. The Company maintains liability insurance coverage at levels based on commercial norms and historical claims experience. The Company may experience material claims in the future and may incur significant costs to defend such claims.

The following is a reconciliation of the changes in accrued warranty costs:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2021 | 2020 |
| Balance at the beginning of the period | $ 2,391 | $ 4,596 |
| Warranty claims paid | (599) | (1,624) |
| Warranty expense for products shipped during the current period | 1,043 | 842 |
| Adjustments to warranty estimates from prior periods | (314) | (942) |
| Adjustments due to currency translation | (26) | (20) |
| Balance at the end of the period | $ 2,495 | $ 2,852 |

## Note 8 –Earnings Per Share

Basic earnings per share are computed by dividing net income by the weighted average number of shares of Common Stock outstanding during the period. The Company’s diluted earnings per share give effect to all potential shares of Common Stock outstanding during a period that do not have an anti-dilutive impact to the calculation. In computing the diluted earnings per share, the treasury stock method is used in determining the number of shares assumed to be issued from the exercise of Common Stock equivalents.

(In thousands, except percentages, share and per share data)

The following table illustrates earnings per share and the weighted average shares outstanding used in calculating basic and diluted earnings per share:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Net income (loss) | $ 24,791 | $ (10,322) | $ 57,700 | $ 1,551 |
| Basic weighted average shares of Common Stock outstanding | 33,100,230 | 32,579,549 | 33,025,432 | 32,635,322 |
| Dilutive effect of stock options, restricted stock awards and restricted stock units | 443,978 | — | 443,417 | 233,392 |
| Diluted weighted average shares of Common Stock outstanding | 33,544,208 | 32,579,549 | 33,468,849 | 32,868,714 |
| Basic earnings per share | $ 0.75 | $ (0.32) | $ 1.75 | $ 0.05 |
| Diluted earnings per share | $ 0.74 | $ (0.32) | $ 1.72 | $ 0.05 |

The following table represents Common Stock issuable upon the exercise of certain stock options that have been excluded from the diluted earnings calculation because the effect of their inclusion would be anti-dilutive.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Anti-dilutive securities share impact | — | 894,520 | — | 346,596 |

**Note 9 – Financial Instruments**

*Derivative Financial Instruments*

The Company is exposed to various market risks including, but not limited to, changes in foreign currency exchange rates, changes in interest rates and commodity price fluctuations. Market risks for changes in interest rates relate primarily to its debt obligations under the Credit Agreement. Foreign currency exchange risks are attributable to sales to foreign customers and purchases from foreign suppliers not denominated in a location’s functional currency, foreign plant operations, intercompany indebtedness, intercompany investments and include exposures to the Euro, Mexican Peso, Canadian Dollar, Hungarian Forint, Macedonian Denar, Ukrainian Hryvnia, Japanese Yen, Chinese Renminbi, Korean Won and Vietnamese Dong.

The Company regularly enters into derivative contracts with the objective of managing its financial and operational exposure arising from these risks by offsetting gains and losses on the underlying exposures with gains and losses on the financial instruments used to hedge them. The maximum length of time over which the Company hedges its exposure to foreign currency exchange risks is fifteen months. The Company had foreign currency derivative contracts with a notional value of $20,078 and $13,299 outstanding as of June 30, 2021 and December 31, 2020, respectively.

The Company does not enter into derivative financial instruments for speculative or trading purposes. The Company’s hedging relationships are formally documented at the inception of the hedge, and hedges must be highly effective in offsetting changes to future cash flows on hedged transactions both at the inception of a hedge and on an ongoing basis to be designated for hedge accounting treatment. For derivative contracts which can be classified as a cash flow hedge, the effective portion of the change in the fair value of the derivative is recorded to Accumulated other comprehensive loss in the consolidated condensed balance sheets. When the underlying hedge transaction is realized, the gain or loss included in Accumulated other comprehensive loss is recorded in earnings in the consolidated condensed statements of income (loss) on the same line as the gain or loss on the hedged item attributable to the hedged risk. The Company records the ineffective portion of foreign currency hedging instruments, if any, to Foreign currency gain (loss) in the consolidated condensed statements of income (loss).

(In thousands, except percentages, share and per share data)

The Company uses an income approach to value derivative instruments, analyzing quoted market prices to calculate the forward values and then discounting such forward values to the present value using benchmark rates at commonly quoted intervals for the instrument's full term.

Information related to the recurring fair value measurement of derivative instruments in our consolidated condensed balance sheet as of June 30, 2021 is as follows:

| | | | Asset Derivatives | | Liability Derivatives | | |
|---|---|---|---|---|---|---|---|
| | Hedge Designation | Fair Value Hierarchy | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value | Net Asset/ (Liabilities) |
| Foreign currency derivatives | Cash flow hedge | Level 2 | Other current assets | $ 814 | Other current liabilities | $ (35) | $ 779 |

Information related to the recurring fair value measurement of derivative instruments in our consolidated condensed balance sheet as of December 31, 2020 is as follows:

| | | | Asset Derivatives | | Liability Derivatives | | |
|---|---|---|---|---|---|---|---|
| | Hedge Designation | Fair Value Hierarchy | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value | Net Asset/ (Liabilities) |
| Foreign currency derivatives | Cash flow hedge | Level 2 | Other current assets | $ 1,513 | Other current liabilities | $ — | $ 1,513 |

Information relating to the effect of derivative instruments on our consolidated condensed statements of income (loss) and the consolidated condensed statements of comprehensive income (loss) is as follows:

| | | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|---|
| | Location | 2021 | 2020 | 2021 | 2020 |
| Foreign currency derivatives | Cost of sales | $ 529 | $ (796) | $ 1,007 | $ (718) |
| | Other comprehensive income (loss) | (62) | 1,458 | (729) | (3,337) |
| | Foreign currency gain (loss) | 36 | (58) | 160 | (129) |
| Total foreign currency derivatives | | $ 503 | $ 604 | $ 438 | $ (4,184) |

The Company did not incur any hedge ineffectiveness during the six months ended June 30, 2021 and 2020.

*Accounts Receivable Factoring*

In June 2021, the Company entered into a receivable factoring arrangement that provides for aggregate purchases of up to $41,300 of specified customer accounts in North America. The receivable factoring arrangement results in true sales of the transferred receivables, which are excluded from amounts reported in the consolidated condensed balance sheets when the receivables are transferred in accordance with ASC 860, "Transfers and Servicing." There were no receivables transferred during the three months ended June 30, 2021.

**Note 10 – Fair Value Measurements**

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. 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).

The Company uses the following fair value hierarchy to measure fair value into three broad levels, which are described below:

*Level 1*: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

*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 are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

*Items Measured at Fair Value on a Recurring Basis*

Except for derivative instruments (see Note 9), pension plan assets and a corporate owned life insurance policy, the Company had no material financial assets and liabilities that were carried at fair value at June 30, 2021 and December 31, 2020. In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and also considers counterparty credit risk in its assessment of fair value.

*Items Measured at Fair Value on a Nonrecurring Basis*

The Company measures certain assets and liabilities at fair value on a non-recurring basis. As these nonrecurring fair value measurements are generally determined using unobservable inputs, these fair value measurements are classified within Level 3 of the fair value hierarchy. As of June 30, 2021 and December 31, 2020, there were no significant assets or liabilities measured at fair value on a non-recurring basis.

*Items Not Carried at Fair Value*

The Company uses an income valuation technique to measure the fair values of its debt instruments by converting amounts of future cash flows to a single present value amount using rates based on current market expectations (Level 2 inputs). As of June 30, 2021, and December 31, 2020, the carrying values of the indebtedness under the Company's Credit Agreement were not materially different than the estimated fair values because the interest rates on variable rate debt approximated rates currently available to the Company (see Note 6). Discount rates used to measure the fair value of the DEG Vietnam Loan are based on quoted swap rates. As of June 30, 2021, the carrying value of the DEG Vietnam Loan was $5,000 as compared to an estimated fair value of $5,062. As of December 31, 2020, the carrying value of the DEG Vietnam Loan was $6,250 as compared to an estimated fair value of $6,360.

**Note 11 – Equity**

In December 2016, the Board of Directors of Gentherm Incorporated ("Board of Directors") authorized a three-year, $100,000 stock repurchase program ("Stock Repurchase Program"). In June 2018, the Board of Directors authorized an increase in the Stock Repurchase Program to $300,000, and an extension of the Stock Repurchase Program until December 2020. The Stock Repurchase Program had $74,226 of repurchase authorization remaining at expiration. On December 11, 2020, the Board of Directors authorized a new stock repurchase program (the "2020 Stock Repurchase Program") to commence upon expiration of the prior stock repurchase program on December 15, 2020. Under the 2020 Stock Repurchase Program, the Company is authorized to repurchase up to $150,000 of its issued and outstanding common stock over a three-year period, expiring December 15, 2023.

Repurchases may be made, from time to time, in amounts and at prices the Company deems appropriate, subject to market conditions, applicable legal requirements, debt covenants and other considerations. Any such repurchases may be executed using open market purchases, privately negotiated agreements or other transactions. Repurchases may be funded from cash on hand, available borrowings or proceeds from potential debt or other capital markets sources. The Company did not make any repurchases under the 2020 Stock Repurchase Program during the six months ended June 30, 2021.

(In thousands, except percentages, share and per share data)

**Note 12 – Reclassifications Out of Accumulated Other Comprehensive Loss**

Reclassification adjustments and other activities impacting Accumulated other comprehensive loss during the three and six months ended June 30, 2021 and 2020 were as follows:

| | Defined Benefit Pension Plans | Foreign Currency Translation Adjustments | Foreign Currency Hedge Derivatives | Total |
|---|---|---|---|---|
| Balance at March 31, 2021 | $ (3,451) | $ (25,789) | $ 584 | $ (28,656) |
| Other comprehensive income before reclassifications | — | 4,531 | 364 | 4,895 |
| Income tax effect of other comprehensive income before reclassifications | — | (3) | (79) | (82) |
| Amounts reclassified from accumulated other comprehensive loss into net income (loss) | — | — | (426) a | (426) |
| Income taxes reclassified into net income (loss) | — | — | 93 | 93 |
| Net current period other comprehensive income (loss) | — | 4,528 | (48) | 4,480 |
| Balance at June 30, 2021 | $ (3,451) | $ (21,261) | $ 536 | $ (24,176) |

(a) The amounts reclassified from accumulated other comprehensive loss were included in cost of sales.

| | Defined Benefit Pension Plans | Foreign Currency Translation Adjustments | Foreign Currency Hedge Derivatives | Total |
|---|---|---|---|---|
| Balance at March 31, 2020 | $ (3,371) | $ (48,705) | $ (2,855) | $ (54,931) |
| Other comprehensive income before reclassifications | — | 5,911 | 572 | 6,483 |
| Income tax effect of other comprehensive income before reclassifications | — | 36 | (125) | (89) |
| Amounts reclassified from accumulated other comprehensive loss into net income (loss) | — | — | 886 a | 886 |
| Income taxes reclassified into net income (loss) | — | — | (194) | (194) |
| Net current period other comprehensive income | — | 5,947 | 1,139 | 7,086 |
| Balance at June 30, 2020 | $ (3,371) | $ (42,758) | $ (1,716) | $ (47,845) |

(a) The amounts reclassified from accumulated other comprehensive loss were included in cost of sales.

| | Defined Benefit Pension Plans | Foreign Currency Translation Adjustments | Foreign Currency Hedge Derivatives | Total |
|---|---|---|---|---|
| Balance at December 31, 2020 | $ (3,451) | $ (12,637) | $ 1,106 | $ (14,982) |
| Other comprehensive (loss) income before reclassifications | — | (8,341) | 206 | (8,135) |
| Income tax effect of other comprehensive (loss) income before reclassifications | — | (283) | (45) | (328) |
| Amounts reclassified from accumulated other comprehensive loss into net income (loss) | — | — | (935) a | (935) |
| Income taxes reclassified into net income (loss) | — | — | 204 | 204 |
| Net current period other comprehensive loss | — | (8,624) | (570) | (9,194) |
| Balance at June 30, 2021 | $ (3,451) | $ (21,261) | $ 536 | $ (24,176) |

(a) The amounts reclassified from accumulated other comprehensive loss were included in cost of sales.

(In thousands, except percentages, share and per share data)

| | Defined Benefit Pension Plans | Foreign Currency Translation Adjustments | Foreign Currency Hedge Derivatives | Total |
|---|---|---|---|---|
| Balance at December 31, 2019 | $ (3,371) | $ (39,965) | $ 895 | $ (42,441) |
| Other comprehensive loss before reclassifications | — | (2,776) | (3,598) | (6,374) |
| Income tax effect of other comprehensive loss before reclassifications | — | (17) | 784 | 767 |
| Amounts reclassified from accumulated other comprehensive loss into net income (loss) | — | — | 261 a | 261 |
| Income taxes reclassified into net income (loss) | — | — | (58) | (58) |
| Net current period other comprehensive loss | — | (2,793) | (2,611) | (5,404) |
| Balance at June 30, 2020 | $ (3,371) | $ (42,758) | $ (1,716) | $ (47,845) |

(a) The amounts reclassified from accumulated other comprehensive loss were included in cost of sales.

The Company expects all of the existing gains and losses related to foreign currency hedge derivatives reported in Accumulated other comprehensive loss as of June 30, 2021 to be reclassified into earnings during the next twelve months. See Note 9 for additional information about derivative financial instruments and the effects from reclassification to net income.

## Note 13 – Income Taxes

At the end of each interim period, the Company makes its best estimate of the annual expected effective income tax rate and applies that rate to its ordinary year-to-date earnings or loss. The income tax provision or benefit related to unusual or infrequent items, if applicable, that will be separately reported or reported net of their related tax effects are individually computed and recognized in the interim period in which those items occur. In addition, the effect of changes in enacted tax laws or rates, tax status, judgment on the realizability of a beginning-of-the-year deferred tax asset in future years or income tax contingencies is recognized in the interim period in which the change occurs.

The computation of the annual expected effective income tax rate at each interim period requires certain estimates and assumptions including, but not limited to, the expected pre-tax income (or loss) for the year, projections of the proportion of income (and/or loss) earned and taxed in respective jurisdictions, permanent and temporary differences, and the likelihood of the realizability of deferred tax assets generated in the current year. Jurisdictions with a projected loss for the year for which no tax benefit can be recognized due to a valuation allowance are excluded from the estimated annual effective tax rate. The impact of such an exclusion could result in a higher or lower effective tax rate during a particular quarter, based upon the composition and timing of actual earnings compared to annual projections. The estimates used to compute the provision or benefit for income taxes may change as new events occur, additional information is obtained or as our tax environment changes. To the extent that the expected annual effective income tax rate changes, the effect of the change on prior interim periods is included in the income tax provision in the period in which the change in estimate occurs.

A summary of the provision for income taxes and the corresponding effective tax rate for the three and six months ended June 30, 2021 and 2020, is shown below:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Income tax expense | $ 5,748 | $ 205 | $ 13,313 | $ 5,611 |
| Earnings (loss) before income tax | $ 30,539 | $ (10,117) | $ 71,013 | $ 7,162 |
| Effective tax rate | 18.8% | (2.0)% | 18.7% | 78.3% |

Income tax expense was $5,748 for the three months ended June 30, 2021 on earnings before income tax of $30,539 representing an effective tax rate of 18.8%. The effective tax rate differed from the U.S. Federal statutory rate of 21.0% primarily due to certain favorable tax effects on equity vesting and the impact of income taxes on foreign earnings taxed at rates varying from the

U.S. statutory rate in the second quarter of 2021, partially offset by the international provisions of the U.S. tax reform such as global intangible low-tax income (“GILTI”).

Income tax expense was $205 for the three months ended June 30, 2020 on loss before income tax of $10,117 representing an effective tax rate of (2)%. The tax amount included the effect of the settlement and closure of multi-year international audits of $3,383. Adjusted for the audit impacts, the effective rate was 31.4%. The effective tax rate differed from the U.S. Federal statutory rate of 21.0% primarily due to the international provisions of the U.S. tax reform, such as GILTI, partly offset by certain intercompany transactions which disproportionately benefited lower tax rate jurisdictions.

Income tax expense was $13,313 for the six months ended June 30, 2021 on earnings before income tax of $71,013 representing an effective tax rate of 18.7%. The effective tax rate differed from the U.S. Federal statutory rate of 21% primarily due to certain favorable tax effects on equity vesting, intercompany transactions in 2021 and the impact of income taxes on foreign earnings taxed at rates varying from the U.S. statutory rate, partially offset by the international provisions of the U.S. tax reform, such as GILTI.

Income tax expense was $5,611for the six months ended June 30, 2020 on earnings before income tax of $7,162 representing an effective tax rate of 78.3%. The tax amount included the effect of the settlement and closure of multi-year international tax audits of $3,383. Adjusted for the audit impacts, the effective tax rate 31.1%. The effective tax rate differed from the U.S. Federal statutory rate of 21% primarily due to the international provisions of the U.S. tax law, such as GILTI, partly offset by certain intercompany transactions which disproportionately benefited lower tax rate jurisdictions.

**Note 14 – Segment Reporting**

Segment information is used by management for making strategic operating decisions for the Company. Management evaluates the performance of the Company’s segments based primarily on operating income or loss.

The Company’s reportable segments are as follows:

- *Automotive* – this segment represents the design, development, manufacturing and sales of automotive climate comfort systems, automotive cable systems, battery performance solutions, and automotive electronic and software systems.
- *Medical* – this segment represents the combined results from our Medical business.
- *Corporate* – includes corporate costs, selling, general and administrative costs and acquisition transaction costs. This segment was renamed during fourth quarter of 2020 to better align with the costs allocated to this segment. It was previously named ‘Reconciling Items’.

In 2020, the Industrial reporting segment was renamed the Medical reporting segment to reflect the patient temperature management business as the focus and strategic direction of this segment. Also, during 2020, the advanced research and development costs not associated with the Medical segment were presented within the Automotive segment, as the advanced research and development organization now primarily supports the Automotive related development activities following the divestitures of GPT and CSZ-IC. For comparability to the prior year, we have moved the portion of advanced research and development costs to the Automotive segment that were focused on technologies related to automotive in both the Depreciation and amortization and Operating income (loss) lines in the table below.

(In thousands, except percentages, share and per share data)

The tables below present segment information about the reported product revenues, depreciation and amortization and operating income (loss) of the Company for three and six months ended June 30, 2021 and 2020.

| Three Months Ended June 30, | Automotive | Medical | Corporate | Total |
|---|---|---|---|---|
| **2021:** | | | | |
| Product revenues | $ 255,105 | $ 10,900 | $ — | $ 266,005 |
| Depreciation and amortization | 8,892 | 580 | 245 | $ 9,717 |
| Operating income (loss) | 43,544 | 113 | (11,985) | $ 31,672 |
| **2020:** | | | | |
| Product revenues | $ 124,386 | $ 11,675 | $ — | $ 136,061 |
| Depreciation and amortization | 9,295 | 573 | 214 | $ 10,082 |
| Operating income (loss) | (2,617) | 903 | (8,183) | $ (9,897) |

| Six Months Ended June 30, | Automotive | Medical | Corporate | Total |
|---|---|---|---|---|
| **2021:** | | | | |
| Product revenues | $ 534,475 | $ 20,065 | $ — | $ 554,540 |
| Depreciation and amortization | 17,945 | 1,164 | 462 | $ 19,571 |
| Operating income (loss) | 96,660 | (418) | (23,821) | $ 72,421 |
| **2020:** | | | | |
| Product revenues | $ 340,858 | $ 23,816 | $ — | $ 364,674 |
| Depreciation and amortization | 18,787 | 1,178 | 523 | $ 20,488 |
| Operating income (loss) | 25,837 | 1,867 | (18,900) | $ 8,804 |

Automotive and Medical segment product revenues by product category for the three and six months ended June 30, 2021 and 2020 were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Climate Control Seat (CCS) | $ 98,229 | $ 49,879 | $ 207,402 | $ 132,407 |
| Seat Heaters | 69,864 | 33,342 | 146,585 | 97,874 |
| Steering Wheel Heaters | 26,697 | 7,980 | 55,561 | 27,215 |
| Automotive Cables | 22,940 | 9,833 | 47,221 | 31,973 |
| Battery Performance Solutions (BPS) | 17,577 | 6,653 | 35,337 | 17,862 |
| Electronics | 14,652 | 13,488 | 29,757 | 23,864 |
| Other Automotive | 5,146 | 3,211 | 12,612 | 9,663 |
| Subtotal Automotive segment | 255,105 | 124,386 | 534,475 | 340,858 |
| Medical segment | 10,900 | 11,675 | 20,065 | 23,816 |
| Total Company | $ 266,005 | $ 136,061 | $ 554,540 | $ 364,674 |

**(In thousands, except percentages, share and per share data)**

Total product revenues information by geographic area for the three and six months ended June 30, 2021 and 2020 is as follows (based on shipment destination):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| United States | $ 102,174 | $ 47,097 | $ 217,461 | $ 153,015 |
| China | 33,857 | 23,517 | 67,372 | 36,520 |
| South Korea | 25,516 | 20,385 | 50,156 | 36,802 |
| Germany | 16,350 | 9,761 | 35,530 | 26,591 |
| Japan | 17,633 | 9,349 | 35,553 | 25,486 |
| Other | 70,475 | 25,952 | 148,468 | 86,260 |
| Total Non-U.S. | 163,831 | 88,964 | 337,079 | 211,659 |
| Total Company | $ 266,005 | $ 136,061 | $ 554,540 | $ 364,674 |

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

**Forward-Looking Statements**

*This Quarterly Report on Form 10-Q (this "Report") contains forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements represent our goals, beliefs, plans and expectations about our prospects for the future and other future events, such as the impact of the COVID-19 pandemic on our financial statements, liquidity, and business as well as the global economy and automotive industry, our ability to maintain sufficient production levels, the amount of borrowing availability under the Credit Agreement and the sufficiency of our cash balances and cash generated from operating, investing and financing activities for our future liquidity and capital resource needs, our ability to finance sufficient working capital and our ability to execute our strategic plan and Manufacturing Footprint Rationalization restructuring plan. Reference is made in particular to forward-looking statements included in this "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations". Such statements may be identified by the use of forward-looking terminology such as "may", "will", "expect", "believe", "estimate", "anticipate", "intend", "continue", or similar terms, variations of such terms or the negative of such terms. The forward-looking statements included in this Report are made as of the date hereof or as of the date specified herein and are based on management's current expectations and beliefs. Such statements are subject to a number of assumptions, risks, uncertainties and other factors, which are set forth in "Item 1A. Risk Factors" and elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2020, Part II "Item 1A. Risk Factors" in this Report and subsequent reports filed with the Securities and Exchange Commission, and which could cause actual results to differ materially from that described in the forward-looking statements. In addition, such forward-looking statements do not include the potential impact of any business combinations, acquisitions, divestitures, strategic investments and other significant transactions that may be completed after the date hereof, each of which may present material risks to the Company's business and financial results. Except as required by law, we expressly disclaim any obligation or undertaking to update any forward-looking statements to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.*

The following discussion and analysis should be read in conjunction with, and is qualified in its entirety by, our consolidated condensed financial statements and related notes thereto included elsewhere in this Report and our consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2020.

***Overview***

Gentherm Incorporated is a global developer and marketer of innovative thermal management technologies for a broad range of heating and cooling and temperature control applications. Unless the context otherwise requires, the terms "Gentherm", "Company", "we", "us" and "our" used herein refer to Gentherm Incorporated and its consolidated subsidiaries. Our products provide solutions for automotive passenger climate comfort and convenience, battery thermal management and cell connecting systems, as well as patient temperature management within the health care industry. Our automotive products can be found in the vehicles of nearly all major automotive manufacturers operating in North America and Europe, and several major automotive manufacturers in Asia. We operate in locations aligned with our major customers' product strategies to provide locally enhanced design, integration and production capabilities. We are also developing a number of new technologies and products that are expected to help enable improvements to existing products and to create new product applications for existing and new markets.

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. Historically, new vehicle demand has been driven by macro-economic and other factors, such as interest rates, manufacturer and dealer sales incentives, fuel prices, consumer confidence, employment levels, income growth trends and government and tax incentives. Economic volatility or weakness, as well as geopolitical factors, in North America, Europe or Asia, could result in a significant reduction in automotive sales and production by our customers, and therefore have an adverse effect on our business, results of operations and financial condition, such as we experienced in the first half of 2020 as a result of the COVID-19 pandemic, as described below. While our diversified automotive OEM customer base and geographic revenue base, along with our flexible cost structure, have well positioned us to withstand the impact of industry downturns, including the impact of the COVID-19 pandemic, and benefit from industry upturns in the ordinary course, shifts in the mix of global automotive production to higher cost regions or to vehicles with less content could adversely impact our profitability. In addition, we may be adversely impacted by volatility, weakness or slow growth in markets for hybrid electric vehicles specifically.

### ***Recent Trends***

General Economic Conditions

The COVID-19 pandemic began in China around December 2019. The impact of the outbreak quickly expanded beyond China and its surrounding region. The COVID-19 pandemic significantly disrupted and adversely impacted global economic activity and the global automotive markets in the first half of 2020, which had significant negative impacts on Gentherm's financial performance in the first half of 2020. During the first quarter of 2020, customer plants in North America and Europe were closed beginning in the second half of March due to the pandemic. This resulted in temporary, partial closures of several of our manufacturing facilities in North America and Europe by the end of March 2020. During the second quarter of 2020, our manufacturing facilities in North America and Europe remained closed until the last week in May due to the pandemic, gradually resuming production to near full capacity in North America, and to about 70% capacity in Europe by the end of June. Customer plants and our manufacturing facilities in Asia were closed for several weeks in February and operated at reduced volumes in March 2020, resuming production to near full capacity by the end of the first quarter, which continued throughout the second quarter of 2020. Other adverse impacts of the pandemic include supply chain and production disruptions, workforce restrictions, travel restrictions and reduced consumer spending. We significantly recovered in the second half of 2020, with increased strong production volumes versus the first half of that year and stronger than pre-COVID levels. This recovery continued in the first and second quarters of 2021. However, the COVID-19 pandemic is ongoing globally and continues to have a significant impact on global automotive markets in 2021, in the form of supply chain and production disruptions, workforce restrictions and travel restrictions, among other factors, and we remain subject to related risks.

The increased consumer demand and vehicle production schedules in the second half of 2020, particularly in the fourth quarter, was unexpected in certain areas of our supply chain. This surge in demand, as well as a significant increased consumer demand for personal electronics, during the latter half of 2020 led to a worldwide semiconductor supply shortage in early 2021. The automotive industry is highly reliant on semiconductors and, beginning in the fourth quarter 2020 and continuing in 2021, is facing a significant supply shortage of semiconductors. In the first half of 2020, global semiconductor manufacturers and their distributors allocated capacity to meet surging demand for consumer electronics and away from the automotive sector that was experiencing plant shutdowns. Given capacity constraints and long lead times for restarting production, semiconductor manufacturers became further strained when automotive vehicle production and other industries utilizing semiconductors had a strong rebound in the second half of 2020. Such activity has resulted in significant supply shortages and cost increases across the automotive industry, and has an adverse impact on our business. Semiconductor suppliers have not been able to quickly reallocate production lines to serve the full capacity needs of the automotive industry. Other recent pandemic-related issues have exacerbated port congestion and intermittent supplier shutdowns and delays, resulting in additional expenses to expedite delivery of critical parts and manufacturing delays. Our suppliers also have experienced plant closures and production delays, and may continue to experience delays in manufacturing the materials and products we require according to our schedule and specifications. We are working closely with our suppliers and customers to minimize any potential adverse impacts, and we continue to closely monitor the availability of semiconductor microchips and other component parts and raw materials, customer vehicle production schedules and any other supply chain inefficiencies that may arise. The consequences of the pandemic and adverse impact to the economy continue to evolve and the future adverse impact on our business and financial statements remains subject to significant uncertainty as of the date of this filing.

Light Vehicle Production Volumes

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. According to the forecasting firm IHS Markit (July 2021 release), global light vehicle production in the three and six months ended June 30, 2021 in the Company's key markets of North America, Europe, China, Japan and Korea, as compared to the three and six months ended June 30, 2020, are shown below (in millions of units):

| | **Three Months Ended June 30,** | | | **Six Months Ended June 30,** | | |
|---|---|---|---|---|---|---|
| | **2021** | **2020** | **% Change** | **2021** | **2020** | **% Change** |
| North America | 3.2 | 1.4 | 132.2% | 6.8 | 5.2 | 32.0% |
| Europe | 4.2 | 2.2 | 86.4% | 8.9 | 6.9 | 28.4% |
| Greater China | 5.9 | 6.1 | (3.6)% | 11.7 | 9.4 | 25.4% |
| Japan / South Korea | 2.7 | 2.0 | 35.8% | 5.8 | 5.0 | 14.1% |
| Total light vehicle production volume in key markets | 16.0 | 11.7 | 36.4% | 33.2 | 26.5 | 25.3% |

The IHS Markit (July 2021 release) forecasted light vehicle production volume in the Company's key markets for full year 2021 to increase to 69.5 million units, a 7.9% increase from full year 2020 light vehicle production volumes. Forecasted light vehicle production volumes are a component of the data we use in forecasting future business. However, these forecasts generally are updated monthly, and future forecasts may be significantly different from period to period due to changes in macroeconomic conditions or matters specific to the automotive industry, such as the fluctuations that occurred in 2020 due to the COVID-19 pandemic and supply chain shortages. Further, due to differences in regional product mix at our manufacturing facilities, as well as releases from customers on specific vehicle programs, our future forecasted results do not directly correlate with the global and/or regional light vehicle production forecasts of IHS Markit or other third-party sources.

***Liquidity***

In light of the substantial economic and financial impact of the COVID-19 pandemic to date, the Company took significant actions to address its liquidity position. In March 2020, the Company borrowed an additional $169.5 million under its revolving credit facility, and took other prudent actions addressing day-to-day operations, to increase its cash position and provide additional financial flexibility due to the COVID-19 pandemic. The proceeds were used for working capital and for other general corporate purposes permitted by the Credit Agreement. As of the end of the first quarter of 2021, the Company repaid the full drawdown of $169.5 million from March 2020 under the Credit Agreement. As of June 30, 2021, $43.3 million was outstanding under the Credit Agreement. Borrowing availability is subject to, among other things, the Company's compliance with the minimum Consolidated Interest Coverage Ratio and Consolidated Leverage Ratio as of the end of any fiscal quarter. Based upon consolidated EBITDA for the trailing twelve months calculated for purposes of the Consolidated Leverage Ratio, $431.6 million remained available as of June 30, 2021 for additional borrowings under the Credit Agreement subject to specified conditions that Gentherm currently satisfies. See "Liquidity and Capital Resources" below for additional information.

***New Business Awards***

We believe that innovation is an important element to gaining market acceptance of our products and strengthening our market position. During the second quarter of 2021, we secured $400.0 million of automotive new business awards. Automotive new business awards represent the aggregate projected lifetime revenue of new awards provided by customers to Gentherm in the applicable period, with the value based on the price and volume projections received from each customer as of the award date. Although automotive new business awards are not firm customer orders, we believe that new business awards are an indicator of future revenue. New business awards are not projections of revenue or future business as of June 30, 2021, the date of this Report or any other date. Customer projections regularly change over time and we do not update our calculation of any new business award after the date initially communicated. Automotive new business awards in the second quarter 2021 also do not reflect, in particular, the impact of the COVID-19 pandemic on future business. Revenues resulting from automotive new business awards also are subject to additional risks and uncertainties that are included in this Report or incorporated by reference in "Forward-Looking Statements" above.

### *Restructuring*

Manufacturing Footprint Rationalization

On September 23, 2019, the Company committed to a restructuring plan to improve the Company's manufacturing productivity and rationalize its footprint. Under this plan, the Company is relocating and consolidating certain existing automotive manufacturing and, as a result, reducing the number of plants by two. On March 20, 2020, the Company announced the initial phase of this restructuring plan, which includes the consolidation of all North American electronics manufacturing to Celaya, Mexico. This will result in the closure of the Burlington, Canada facility, and the transfer of electronics manufacturing from Acuña, Mexico. On December 10, 2020, the Company announced the consolidation of its electronics manufacturing in Asia to Bantian, Shenzhen, China, which will result in the closure of our Longgang, Shenzhen, China facility. During the three months ended June 30, 2021, production ceased at our Burlington, Canada facility, and electronics manufacturing continues to transition to Celaya, Mexico.

During the three and six months ended June 30, 2021, the Company recognized restructuring expense of $0.8 million and $1.0 million for employee separation costs, $0.1 million and $0.2 million for accelerated depreciation and $0.5 million and $0.7 million for other costs, respectively. During the three and six months ended June 30, 2020, the Company recognized restructuring expense of $(1.7) million and $(1.4) million for employee separation costs and $0.2 million and $0.5 million of accelerated depreciation, respectively. The Company has recorded $8.9 million of restructuring expenses since the inception of this program.

Under this restructuring plan, the Company expects to incur total costs of between $16 million and $19 million, of which between $13 million and $16 million are expected to be cash expenditures. The total expected costs include employee separation costs of between $6.5 million and $7.5 million, capital expenditures of between $3.5 million and $4.5 million and non-cash expenses for accelerated depreciation and impairment of fixed assets of approximately $3 million. The Company also expects to incur other transition costs including recruiting, relocation, and machinery and equipment move and set up costs of between $3 million and $4 million. The remaining actions under this plan are expected to be substantially completed by the end of 2021. The actual timing, costs and savings of the plan may differ materially from the Company's current expectations and estimates.

Other Restructuring Activities

As part of the Company's continued efforts to optimize its cost structure, the Company has undertaken several discrete restructuring actions. During the three and six months ended June 30, 2021, the Company recognized $0.7 million and $1.1 million of employee separation costs, respectively. During the three and six months ended June 30, 2020, the Company recognized $0.9 million and $4.0 million of employee separation costs, respectively, and less than $0.1 million and $0.2 million of other related costs, respectively. These restructuring expenses were primarily associated with restructuring actions focused on the rotation of our manufacturing footprint to lower cost locations and the reduction of global overhead costs. The Company will continue to explore opportunities to improve its future profitability and competitiveness. These actions may result in the recognition of additional restructuring charges that could be material.

### *Stock Repurchase Program*

On December 11, 2020, the Board of Directors authorized a new stock repurchase program (the "2020 Stock Repurchase Program") to commence upon expiration of the prior stock repurchase program on December 15, 2020. Under the 2020 Stock Repurchase Program, the Company is authorized to repurchase up to $150 million of its issued and outstanding Common Stock over a three-year period, expiring December 15, 2023. Repurchases under the 2020 Stock Repurchase Program may be made, from time to time, in amounts and at prices the Company deems appropriate, subject to market conditions, applicable legal requirements, debt covenants and other considerations. During the six months ended June 30, 2021, we did not make any repurchases under the 2020 Stock Repurchase Program and have a remaining repurchase authorization of $150.0 million as of June 30, 2021.

### *Reportable Segments*

The Company has two reportable segments for financial reporting purposes: Automotive and Medical.

In 2020, the Industrial reporting segment was renamed the Medical reporting segment to reflect the patient temperature management business as the focus and strategic direction of this segment. Also, during 2020, the advanced research and development costs not associated with the Medical segment were presented within the Automotive segment, as this organization primarily supports the Automotive related research and development activities following the divestitures of Cincinnati Sub-Zero industrial chamber business ("CSZ-IC") and Gentherm Global Power Technologies ("GPT") in 2019.

See Note 14, "Segment Reporting", to the consolidated condensed financial statements included in this Report for a description of our reportable segments as well as their proportional contribution to the Company's reported product revenues and operating income. The financial information used by our chief operating decision maker to assess operating performance and allocate resources is based on these reportable segments.

***Consolidated Results of Operations***

The results of operations for the three and six months ended June 30, 2021 and 2020, in thousands, were as follows:

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | Favorable / (Unfavorable) | 2021 | 2020 | Favorable / (Unfavorable) |
| Product revenues | $ 266,005 | $ 136,061 | $ 129,944 | $ 554,540 | $ 364,674 | $ 189,866 |
| Cost of sales | 186,792 | 109,326 | (77,466) | 387,658 | 271,872 | (115,786) |
| Gross margin | 79,213 | 26,735 | 52,478 | 166,882 | 92,802 | 74,080 |
| Operating expenses: | | | | | | |
| Net research and development expenses | 18,227 | 15,341 | (2,886) | 35,830 | 33,101 | (2,729) |
| Selling, general and administrative expenses | 27,223 | 21,889 | (5,334) | 55,749 | 47,729 | (8,020) |
| Restructuring expenses | 2,091 | (598) | (2,689) | 2,882 | 3,168 | 286 |
| Total operating expenses | 47,541 | 36,632 | (10,909) | 94,461 | 83,998 | (10,463) |
| Operating income (loss) | 31,672 | (9,897) | 41,569 | 72,421 | 8,804 | 63,617 |
| Interest expense, net | (630) | (1,361) | 731 | (1,669) | (2,109) | 440 |
| Foreign currency (loss) gain | (515) | (1,741) | 1,226 | 258 | (2,679) | 2,937 |
| Other income | 12 | 2,882 | (2,870) | 3 | 3,146 | (3,143) |
| Earnings (loss) before income tax | 30,539 | (10,117) | 40,656 | 71,013 | 7,162 | 63,851 |
| Income tax expense | 5,748 | 205 | (5,543) | 13,313 | 5,611 | (7,702) |
| Net income (loss) | $ 24,791 | $ (10,322) | $ 35,113 | $ 57,700 | $ 1,551 | $ 56,149 |

Product revenues by product category, in thousands, for the three and six months ended June 30, 2021 and 2020, were as follows:

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | % Change | 2021 | 2020 | % Change |
| Climate Control Seat (CCS) | $ 98,229 | $ 49,879 | 96.9% | $ 207,402 | $ 132,407 | 56.6% |
| Seat Heaters | 69,864 | 33,342 | 109.5% | 146,585 | 97,874 | 49.8% |
| Steering Wheel Heaters | 26,697 | 7,980 | 234.5% | 55,561 | 27,215 | 104.2% |
| Automotive Cables | 22,940 | 9,833 | 133.3% | 47,221 | 31,973 | 47.7% |
| Battery Performance Solutions (BPS) | 17,577 | 6,653 | 164.2% | 35,337 | 17,862 | 97.8% |
| Electronics | 14,652 | 13,488 | 8.6% | 29,757 | 23,864 | 24.7% |
| Other Automotive | 5,146 | 3,211 | 60.3% | 12,612 | 9,663 | 30.5% |
| Subtotal Automotive segment | 255,105 | 124,386 | 105.1% | 534,475 | 340,858 | 56.8% |
| Medical segment | 10,900 | 11,675 | (6.6)% | 20,065 | 23,816 | (15.7)% |
| Total Company | $ 266,005 | $ 136,061 | 95.5% | $ 554,540 | $ 364,674 | 52.1% |

Product Revenues

Below is a summary of our product revenues, in thousands, for the three months ended June 30, 2021 and 2020:

| | Three Months Ended June 30, | | | Variance Due To: | | | |
|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | Favorable / (Unfavorable) | Automotive Volume | FX | Pricing/Other | Total |
| Product revenues | $ 266,005 | $ 136,061 | $ 129,944 | $ 127,983 | $ 11,113 | $ (9,152) | $ 129,944 |

Product revenues for the three months ended June 30, 2021 increased 95.5% as compared to the three months ended June 30, 2020. The increase in product revenues is primarily related to increased volumes and the impact from the recovery of the COVID-19 pandemic in our Automotive segment and favorable foreign currency impacts, primarily related to the Euro, Chinese Renminbi and Korean Won. Product revenues increased across all Automotive segment product lines primarily due to production resuming at our customer locations following the pandemic shutdown in the second quarter of 2020 and new program launches and higher take rates. The decrease in product revenues included in Variance Due To Pricing/Other above is primarily attributable to decreases in customer pricing in our Automotive segment and decreased volumes in our Medical segment.

Below is a summary of our product revenues, in thousands, for the six months ended June 30, 2021 and 2020:

| | Six Months Ended June 30, | | | Variance Due To: | | | |
|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | Favorable / (Unfavorable) | Automotive Volume | FX | Pricing/Other | Total |
| Product revenues | $ 554,540 | $ 364,674 | $ 189,866 | $ 184,884 | $ 21,992 | $ (17,010) | $ 189,866 |

Product revenues for the six months ended June 30, 2021 increased 52.1% as compared to the six months ended June 30, 2020. The increase in product revenues is primarily related to increased volumes and the impact from the recovery of the COVID-19 pandemic in our Automotive segment and favorable foreign currency impacts, primarily related to the Euro, Chinese Renminbi and Korean Won. Product revenues increased across all Automotive segment product lines primarily due to production resuming at our customer locations following the pandemic shutdown in the second quarter of 2020 and new program launches and higher take rates. The decrease in product revenues included in Variance Due To Pricing/Other above is primarily attributable to decreases in customer pricing in our Automotive segment and decreased volumes in our Medical segment.

*Cost of Sales*

Below is a summary of our cost of sales and gross margin, in thousands, for the three months ended June 30, 2021 and 2020:

| | Three Months Ended June 30, | | | Variance Due To: | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | Favorable / (Unfavorable) | Automotive Volume | Operational Performance | FX | Other | Total |
| Cost of sales | $ 186,792 | $ 109,326 | $ (77,466) | $ (74,000) | $ 11,609 | $ (7,468) | $ (7,607) | $ (77,466) |
| Gross margin | $ 79,213 | $ 26,735 | $ 52,478 | $ 53,983 | $ 11,609 | $ 3,645 | $ (16,759) | $ 52,478 |
| Gross margin - Percentage of product revenues | 29.8% | 19.6% | | | | | | |

Cost of sales for the three months ended June 30, 2021 increased 70.9% as compared to the three months ended June 30, 2020. The increase in cost of sales is primarily related to increased volumes in our Automotive segment and unfavorable foreign currency impacts primarily attributable to the Euro and Chinese Renminbi. The offsetting Variance Due To Operational Performance is primarily attributable to an increase in manufacturing productivity, partially offset by higher material and freight costs. The increase in cost of sales included in Variance Due To Other above is due to the following items:

- $5.6 million increase due to wage inflation as well as higher labor costs, primarily due to COVID-19 related furloughs in the second quarter of 2020;
- $2.3 million increase due to higher factory costs in North America and Europe, primarily due to temporary, partial closures of several of our manufacturing facilities in North America and Europe during the second quarter of 2020; and
- $0.5 million of decrease attributable to lower volumes in the Medical segment.

Below is a summary of our cost of sales and gross margin, in thousands, for the six months ended June 30, 2021 and 2020:

| | Six Months Ended June 30, | | | Variance Due To: | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | Favorable / (Unfavorable) | Automotive Volume | Operational Performance | FX | Other | Total |
| Cost of sales | $ 387,658 | $ 271,872 | $ (115,786) | $ (106,000) | $ 14,481 | $ (12,571) | $ (11,696) | $ (115,786) |
| Gross margin | $ 166,882 | $ 92,802 | $ 74,080 | $ 78,884 | $ 14,481 | $ 9,421 | $ (28,706) | $ 74,080 |
| Gross margin - Percentage of product revenues | 30.1% | 25.4% | | | | | | |

Cost of sales for the six months ended June 30, 2021 increased 42.6% as compared to the six months ended June 30, 2020. The increase in cost of sales is primarily related to increased volumes in our Automotive segment and unfavorable foreign currency impacts primarily attributable to the Euro and Chinese Renminbi.  The offsetting Variance Due To Operational Performance is primarily attributable to an increase in manufacturing productivity, partially offset by higher material and freight costs. The increase in cost of sales included in Variance Due To Other above is due to the following items:

- $8.6 million of increase due to wage inflation as well as higher labor costs, primarily due to COVID-19 related furloughs in the second quarter of 2020;
- $3.3 million increase due to higher factory costs in North America and Europe, primarily due to temporary, partial closures of several of our manufacturing facilities in North America and Europe during the second quarter of 2020 due to the COVID-19 pandemic; and
- $2.0 million of decrease attributable to lower volumes in the Medical segment.

*Net Research and Development Expenses*

Below is a summary of our net research and development expenses, in thousands, for the three months ended June 30, 2021 and 2020:

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2021 | 2020 | Favorable / (Unfavorable) |
| Research and development expenses | $ 23,013 | $ 19,377 | $ (3,636) |
| Reimbursed research and development expenses | (4,786) | (4,036) | 750 |
| Net research and development expenses | $ 18,227 | $ 15,341 | $ (2,886) |
| Percentage of product revenues | 6.9% | 11.3% | |

Net research and development expenses for the three months ended June 30, 2021 increased 18.8% as compared to the three months ended June 30, 2020.  The increase in net research and development expenses is primarily related to increased project-related spending, partially offset by higher reimbursements for costs to design, develop and purchase tooling pursuant to customer contracts.

Below is a summary of our net research and development expenses, in thousands, for the six months ended June 30, 2021 and 2020:

| | Six Months Ended June 30, | | |
|---|---|---|---|
| | 2021 | 2020 | Favorable / (Unfavorable) |
| Research and development expenses | $ 45,439 | $ 39,914 | $ (5,525) |
| Reimbursed research and development expenses | (9,609) | (6,813) | 2,796 |
| Net research and development expenses | $ 35,830 | $ 33,101 | $ (2,729) |
| Percentage of product revenues | 6.5% | 9.1% | |

Net research and development expenses for the six months ended June 30, 2021 increased 8.2% as compared to the six months ended June 30, 2020.  The increase in net research and development expenses is primarily related to increased project-related spending, partially offset by higher reimbursements for costs to design, develop and purchase tooling pursuant to customer contracts.

*Selling, General and Administrative Expenses*

Below is a summary of our selling, general and administrative expenses, in thousands, for the three months ended June 30, 2021 and 2020:

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2021 | 2020 | Favorable / (Unfavorable) |
| Selling, general and administrative expenses | $ 27,223 | $ 21,889 | $ (5,334) |
| Percentage of product revenues | 10.2% | 16.1% | |

Selling, general and administrative expenses for the three months ended June 30, 2021 increased 24.4% as compared to the three months ended June 30, 2020.  The increase in selling, general and administrative expenses is primarily related to higher incentive compensation expense, as well as the absence of COVID-19 cost-reduction initiatives that were taken by the Company in the second quarter of 2020 to manage its liquidity position in light of the significant economic uncertainty and financial impact of the COVID-19 pandemic.

Below is a summary of our selling, general and administrative expenses, in thousands, for the six months ended June 30, 2021 and 2020:

| | Six Months Ended June 30, | | |
|---|---|---|---|
| | **2021** | **2020** | **Favorable / (Unfavorable)** |
| Selling, general and administrative expenses | $ 55,749 | $ 47,729 | $ (8,020) |
| Percentage of product revenues | 10.1% | 13.1% | |

Selling, general and administrative expenses for the six months ended June 30, 2021 increased 16.8% as compared to the six months ended June 30, 2020. The increase in selling, general and administrative expenses is primarily related to higher incentive compensation expense and exercises of cash settled stock appreciation rights, as well as the absence of COVID-19 cost reduction initiatives that were taken by the Company in the second quarter of 2020 to manage its liquidity position in light of the significant economic uncertainty and financial impact of the COVID-19 pandemic.

*Restructuring Expenses*

Restructuring expenses primarily relate to the Manufacturing Footprint Rationalization restructuring program and other discrete restructuring actions focused on the rotation of our manufacturing footprint to lower cost locations and the reduction of global overhead expenses.

Below is a summary of our restructuring expenses, in thousands, for the three months ended June 30, 2021 and 2020:

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | **2021** | **2020** | **Favorable / (Unfavorable)** |
| Restructuring expenses | $ 2,091 | $ (598) | $ (2,689) |

During the three months ended June 30, 2021, the Company recognized expenses of $1.5 million for employee separation costs and $0.6 million of accelerated depreciation and other costs.

During the three months ended June 30, 2020, the Company recognized expenses of $(0.8) million for employee separation costs and $0.2 million of accelerated depreciation and other costs. The net activity during the three months ended June 30, 2020 is primarily related to a reduction in the estimates of previously recognized employee separation costs for the Manufacturing Footprint Rationalization restructuring program.

Below is a summary of our restructuring expenses, in thousands, for the six months ended June 30, 2021 and 2020:

| | Six Months Ended June 30, | | |
|---|---|---|---|
| | **2021** | **2020** | **Favorable / (Unfavorable)** |
| Restructuring expenses | $ 2,882 | $ 3,168 | $ 286 |

During the six months ended June 30, 2021, the Company recognized expenses of $2.0 million for employee separation costs and $0.9 million of accelerated depreciation and other costs.

During the six months ended June 30, 2020, the Company recognized expenses of $2.5 million for employee separation costs and $0.7 million of accelerated depreciation and other related costs.

See Note 3, “Restructuring” of the consolidated condensed financial statements included in this Report for additional information.

*Interest Expense*

Below is a summary of our interest expense, in thousands, for the three months ended June 30, 2021 and 2020:

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2021 | 2020 | Favorable / (Unfavorable) |
| Interest expense, net | $ (630) | $ (1,361) | $ 731 |

Interest expense, net for the three months ended June 30, 2021 decreased 53.7% as compared to the three months ended June 30, 2020. The decrease is due to a lower balance on our revolving credit agreement during the three months ended June 30, 2021, as compared to the three months ended June 30, 2020.

Below is a summary of our interest expense, in thousands, for the six months ended June 30, 2021 and 2020:

| | Six Months Ended June 30, | | |
|---|---|---|---|
| | 2021 | 2020 | Favorable / (Unfavorable) |
| Interest expense, net | $ (1,669) | $ (2,109) | $ 440 |

Interest expense, net for the six months ended June 30, 2021 decreased 20.9% as compared to the six months ended June 30, 2020. The decrease is due to a lower balance on our revolving credit agreement during the six months ended June 30, 2021, as compared to the six months ended June 30, 2020.

See Note 6, "Debt" of the consolidated condensed financial statements included in this Report for additional information.

*Foreign Currency Gain (Loss)*

Below is a summary of our foreign currency loss, in thousands, for the three months ended June 30, 2021 and 2020:

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2021 | 2020 | Favorable / (Unfavorable) |
| Foreign currency loss | $ (515) | $ (1,741) | $ 1,226 |

Foreign currency loss for the three months ended June 30, 2021 primarily included net realized foreign currency loss of $0.5 million.

Foreign currency loss for the three months ended June 30, 2020 included net realized foreign currency loss of $0.1 million and net unrealized foreign currency loss of $1.6 million.

Below is a summary of our foreign currency gain (loss), in thousands, for the six months ended June 30, 2021 and 2020:

| | Six Months Ended June 30, | | |
|---|---|---|---|
| | 2021 | 2020 | Favorable / (Unfavorable) |
| Foreign currency gain (loss) | $ 258 | $ (2,679) | $ 2,937 |

Foreign currency gain for the six months ended June 30, 2021 primarily included net unrealized foreign currency gain of $0.3 million.

Foreign currency loss for the six months ended June 30, 2020 included net realized foreign currency loss of $0.3 million and net unrealized foreign currency loss of $2.4 million.

*Other Income*

Below is a summary of our other income, in thousands, for the three months ended June 30, 2021 and 2020:

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2021 | 2020 | Favorable / (Unfavorable) |
| Other income | $ 12 | $ 2,882 | $ (2,870) |

The decrease in Other income is due to a one-time gain on sale of patents recorded for the three months ended June 30, 2020.

Below is a summary of our other income, in thousands, for the six months ended June 30, 2021 and 2020:

| | Six Months Ended June 30, | | |
|---|---|---|---|
| | 2021 | 2020 | Favorable / (Unfavorable) |
| Other income | $ 3 | $ 3,146 | $ (3,143) |

The decrease in Other income is due to a one-time gain on sale of patents recorded for the six months ended June 30, 2020.

*Income Tax Expense*

Below is a summary of our income tax expense, in thousands, for the three months ended June 30, 2021 and 2020:

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2021 | 2020 | Favorable / (Unfavorable) |
| Income tax expense | $ 5,748 | $ 205 | $ (5,543) |

Income tax expense was $5.7 million for the three months ended June 30, 2021 on earnings before income tax of $30.5 million representing an effective tax rate of 18.8%. The effective tax rate differed from the U.S. Federal statutory rate of 21.0% primarily due to certain favorable tax effects on equity vesting and the impact of income taxes on foreign earnings taxed at rates varying from the U.S. statutory rate in the second quarter of 2021, partially offset by the international provisions of the U.S. tax reform such as global intangible low-tax income (“GILTI”).

Income tax expense was $0.2 million for the three months ended June 30, 2020 on loss before income tax of $10.1 million representing an effective tax rate of (2)%. The tax amount included the effect of the settlement and closure of multi-year international audits of $3.4 million. Adjusted for the audit impacts, the effective rate was 31.4%. The effective tax rate differed from the U.S. Federal statutory rate of 21.0% primarily due to the international provisions of the U.S. tax reform, such as GILTI, partly offset by certain intercompany transactions which disproportionately benefited lower tax rate jurisdictions.

Below is a summary of our income tax expense, in thousands, for the six months ended June 30, 2021 and 2020:

| | Six Months Ended June 30, | | |
|---|---|---|---|
| | 2021 | 2020 | Favorable / (Unfavorable) |
| Income tax expense | $ 13,313 | $ 5,611 | $ (7,702) |

Income tax expense was $13.3 million for the six months ended June 30, 2021 on earnings before income tax of $71.0 million representing an effective tax rate of 18.7%. The effective tax rate differed from the U.S. Federal statutory rate of 21% primarily due to favorable tax effects on equity vesting, intercompany transactions in 2021 and the impact of income taxes on foreign earnings taxed at rates varying from the U.S. statutory rate, partially offset by the international provisions of the U.S. tax reform, such as GILTI.

Income tax expense was $5.6 million for the six months ended June 30, 2020 on earnings before income tax of $7.2 million representing an effective tax rate of 78.3%. The tax amount included the effect of the settlement and closure of multi-year international tax audits of $3.4 million. Adjusted for the audit impacts, the effective tax rate 31.1%. The effective tax rate differed from the U.S. Federal statutory rate of 21% primarily due to the international provisions of the U.S. tax law, such as GILTI, partly offset by certain intercompany transactions which disproportionately benefited lower tax rate jurisdictions.

***Liquidity and Capital Resources***

**Cash and Cash Flows**

The Company historically has funded its liquidity needs primarily through cash flows from operating activities and borrowings under its Credit Agreement, as well as equity and other debt financings. Beginning in 2020 and continuing in 2021, due to the significant economic uncertainty and financial impact of the COVID-19 pandemic, the Company has taken significant actions to address its liquidity. First, the Company has been prudently addressing its day-to-day operations, including reducing expenses, inventory levels and capital spending.  In March 2020, the Company increased its borrowings under the Credit Agreement by $169.5 million as a safeguard to increase its cash position and provide additional financial flexibility. The proceeds were used for working capital and for other general corporate purposes permitted by the Credit Agreement.  During the first quarter of 2021, the Company repaid the full drawdown of $169.5 million from March 2020 under the Credit Agreement. As of June 30, 2021, $43.3 million was outstanding under the Credit Agreement. Borrowing availability is subject to, among other things, the Company's compliance with the minimum Consolidated Interest Coverage Ratio and Consolidated Leverage Ratio as of the end of any fiscal quarter.  Based upon consolidated EBITDA for the trailing twelve months calculated for purposes of the Consolidated Leverage Ratio, $431.6 million remained available as of June 30, 2021 for additional borrowings under the Credit Agreement subject to specified conditions that Gentherm currently satisfies.

In addition, on June 9, 2021, we entered into a receivable factoring agreement with HSBC Bank USA, National Association.  Under the receivable factoring agreement, we can sell receivables for certain of our account debtors up to $41.3 million, on a revolving basis.  As of June 30, 2021, we had not sold any receivables under the receivable factoring agreement.

On December 11, 2020, the Board of Directors authorized the 2020 Stock Repurchase Program to commence upon expiration of the prior stock repurchase program, which expired on December 15, 2020. Under the 2020 Stock Repurchase Program, the Company is authorized to repurchase up to $150.0 million of its issued and outstanding Common Stock over a three-year period, expiring December 15, 2023.  As of June 30, 2021, $150.0 million of availability remained under the stock repurchase program.

Based on the Company's current operating plan and the foregoing actions, management believes cash and cash equivalents at June 30, 2021, together with cash flows from operating activities, borrowing available under our Credit Agreement and receivables limit under the receivable factoring agreement, are sufficient to meet operating and capital expenditure needs, and to service debt, for at least the next 12 months.  However, as the impact of the COVID-19 pandemic on the economy and our operations evolves, we may need to obtain alternative sources of capital, and we may finance additional liquidity needs in the future through one or more equity or debt offerings.

A continued worldwide disruption, including from additional waves of pandemic outbreaks, from the COVID-19 pandemic, and actions that lending institutions, our customers, consumers and governmental authorities may take in response, could materially affect our future access to sources of liquidity, and such capital may not be available at all or on reasonable terms.  Further, the extent to which the COVID-19 pandemic adversely affects our future financial performance and thus our cash flows will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the pandemic, its severity, the effectiveness of actions to contain the virus or treat its impact and how quickly and to what extent normal economic and operating conditions will resume. Even after the COVID-19 pandemic has subsided, we may continue to experience significant adverse impacts on our business, financial performance, financial condition, cash flows, liquidity and stock price for a lengthy period of time as a result of its global economic impact.

The following table represents our cash and cash equivalents, in thousands:

| | **Six Months Ended June 30,** | |
|---|---|---|
| | **2021** | **2020** |
| Cash, cash equivalents and restricted cash at beginning of period | $ 268,345 | $ 52,948 |
| Cash provided by operating activities | 84,362 | 50,227 |
| Cash used in investing activities | (25,859) | (9,580) |
| Cash (used in) provided by financing activities | (139,625) | 115,978 |
| Foreign currency effect on cash and cash equivalents | (360) | 2,102 |
| Cash, cash equivalents and restricted cash at end of period | $ 186,863 | $ 211,675 |

*Cash Flows From Operating Activities*

We manage our cash and cash equivalents in order to fund operating requirements and preserve liquidity to take advantage of future business opportunities and for financial flexibility. The following table compares the cash flows from operating activities during the six months ended June 30, 2021 as compared to the six months ended June 30, 2020, in thousands:

| | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 | Change |
|---|---|---|---|
| Operating Activities: | | | |
| Net income | $ 57,700 | $ 1,551 | $ 56,149 |
| Non-cash adjustments to reconcile net income to cash provided by operating activities: | | | |
| Depreciation and amortization | 19,571 | 20,488 | (917) |
| Deferred income taxes | (225) | (913) | 688 |
| Non-cash stock based compensation | 6,199 | 3,909 | 2,290 |
| Change in defined benefit pension plans | (669) | (278) | (391) |
| Loss on sale of property and equipment | 496 | 339 | 157 |
| Operating lease expense | 4,629 | 3,490 | 1,139 |
| Gain on sale of patents | — | (1,978) | 1,978 |
| Net income after non-cash adjustments | 87,701 | 26,608 | 61,093 |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable, net | 11,647 | 38,410 | (26,763) |
| Inventory | (17,211) | 5,292 | (22,503) |
| Other assets | 3,986 | 2,888 | 1,098 |
| Accounts payable | (289) | (17,753) | 17,464 |
| Other liabilities | (1,472) | (5,218) | 3,746 |
| Net cash provided by operating activities | $ 84,362 | $ 50,227 | $ 34,135 |

The following table illustrates changes in working capital during the six months ended June 30, 2021, in thousands:

| | |
|---|---|
| Working capital at December 31, 2020 | $ 437,622 |
| Change in cash and cash equivalents | (78,139) |
| Decrease in accounts receivable | (11,647) |
| Increase in inventory | 17,211 |
| Decrease in tax receivables, net | (2,553) |
| Decrease in other assets | (4,641) |
| Increase in accounts payable | 289 |
| Decrease in other current and non-current liabilities | (601) |
| Foreign currency effect on working capital | (5,681) |
| Working capital at June 30, 2021 | $ 351,860 |

The following table highlights significant transactions that contributed to the decrease in cash and cash equivalents during the six months ended June 30, 2021, in thousands:

| | |
|---|---|
| Net cash provided by operating activities | $ 84,362 |
| Repayments of debt | (143,731) |
| Purchases of property and equipment | (20,669) |
| Proceeds from the exercise of Common Stock options | 6,292 |
| Cash paid for the cancellation of restricted stock | (2,117) |
| Other items | (5,619) |
| Decrease in cash and cash equivalents | $ (81,482) |

*Cash Flows From Investing Activities*

Cash used in investing activities was $25.9 million during the six months ended June 30, 2021, primarily reflecting purchases of property and equipment of $20.7 million and a technology investment of $5.2 million.

*Cash Flows From Financing Activities*

Cash used in financing activities was $139.6 million during the six months ended June 30, 2021, reflecting payments on the principal of the U.S. Revolving Note and DEG Vietnam Loan totaling $143.7 million in aggregate. Borrowings under the Credit Agreement mature on June 27, 2024. See Note 6, "Debt" of the consolidated condensed financial statements included in this Report for additional information. Cash was also paid during the six months ended June 30, 2021 for cancellations of restricted stock awards totaling $2.1 million, more than offset by proceeds from the exercise of Common Stock options totaling $6.3 million.

***Critical Accounting Policies***

The discussion and analysis of our financial condition and results of operations are based upon our consolidated condensed financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. For discussion of our significant accounting policies, see 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, 2020. There have been no significant changes in our critical accounting policies or critical accounting estimates during the three months ended June 30, 2021. We are not presently aware of any events or circumstances that would require us to update our estimates, assumptions or revise the carrying value of our assets or liabilities. Our estimates may change, however, as new events occur and additional information is obtained. As a result, actual results may differ significantly from our estimates, and any such differences may be material to our financial statements. For information on the impact of recently issued accounting pronouncements, see Note 2, "New Accounting Pronouncements" in the consolidated condensed financial statements included in this Report.

***Off-Balance Sheet Arrangements***

At June 30, 2021, we do not have any off-balance sheet arrangements that have, or are, in the opinion of management, reasonably likely to have, a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

***Effects of Inflation***

The automotive component supply industry is subject to inflationary pressures with respect to raw materials and labor, which have historically placed operational and financial burdens on the entire supply chain. Accordingly, the Company continues to take actions with its customers and suppliers to mitigate the impact of these inflationary pressures in the future. Actions to mitigate inflationary pressures with customers include collaboration on alternative product designs and material specifications, contractual price escalation clauses and negotiated customer recoveries. Actions to mitigate inflationary pressures with suppliers include aggregation of purchase requirements to achieve optimal volume benefits, negotiation of cost-reductions and identification of more cost competitive suppliers. While these actions are designed to offset the impact of inflationary pressures, the Company cannot provide assurance that it will be successful in fully offsetting increased costs resulting from inflationary pressure.

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

Our exposure to market risk for changes in interest rates relates primarily to our debt obligations and foreign currency contracts. We have in the past, and may in the future, place our investments in bank certificates of deposits, debt instruments of the U.S. government, and in high-quality corporate issuers.

We are exposed to market risk from changes in foreign currency exchange rates, short-term interest rates and price fluctuations of certain material commodities. Market risks for changes in interest rates relate primarily to our debt obligations under our Credit Agreement. Foreign currency exchange risks are attributable to sales to foreign customers and purchases from foreign suppliers not denominated in a location's functional currency, foreign plant operations, intercompany indebtedness, intercompany investments and include exposures to the Euro, Mexican Peso, Canadian Dollar, Hungarian Forint, Macedonian Denar, Ukrainian Hryvnia, Japanese Yen, Chinese Renminbi, Korean Won and Vietnamese Dong.

The Company regularly enters into derivative contracts with the objective of managing its financial and operational exposure arising from these risks by offsetting gains and losses on the underlying exposures with gains and losses on the financial instruments used to hedge them. The maximum length of time over which we hedge our exposure to foreign currency exchange risks is fifteen months. We had foreign currency derivative contracts with a notional value of $20.1 million and $13.3 million outstanding at June 30, 2021 and December 31, 2020, respectively. The potential loss in fair value for such financial instruments from a hypothetical 10% adverse change in quoted currency exchange rates would be $1.9 million and $1.3 million as of June 30, 2021 and December 31, 2020, respectively. The potential gain in fair value from a hypothetical 10% change in quoted currency exchange rates would be $2.3 million and $1.6 million as of June 30, 2021 and December 31, 2020, respectively. The impact of a 10% change in rates on fair value differs from a 10% change in the net fair value asset due to the existence of hedges. The model assumes a parallel shift in currency exchange rates; however, currency exchange rates rarely move in the same direction. The assumption that currency exchange rates change in a parallel fashion may overstate the impact of changing currency exchange rates on assets and liabilities denominated in currencies other than the U.S. dollar.

We do not enter into derivative financial instruments for speculative or trading purposes. Our hedging relationships are formally documented at the inception of the hedge, and hedges must be highly effective in offsetting changes to future cash flows on hedged transactions both at the inception of a hedge and on an ongoing basis to be designated for hedge accounting treatment. For derivative contracts which can be classified as a cash flow hedge, the effective portion of the change in the fair value of the derivative is recorded to accumulated other comprehensive loss in the consolidated condensed balance sheets. When the underlying hedge transaction is realized, the gain or loss included in accumulated other comprehensive loss is recorded in earnings in the consolidated condensed statements of income (loss) on the same line as the gain or loss on the hedged item attributable to the hedged risk. We record the ineffective portion of foreign currency hedging instruments, if any, to foreign currency gain (loss) in the consolidated condensed statements of income (loss). Though we continuously monitor the hedging program, derivative positions and hedging strategies, foreign currency forward exchange agreements have not always been designated as hedging instruments for accounting purposes.

The Company uses an income approach to value derivative instruments, analyzing quoted market prices to calculate the forward values and then discounts such forward values to the present value using benchmark rates at commonly quoted intervals for the instrument's full term.

Information related to the fair values of all derivative instruments in our consolidated condensed balance sheet as of June 30, 2021 is set forth in Note 9, "Financial Instruments" in the consolidated condensed financial statements included in this Report.

*Interest Rate Sensitivity*

The table presents principal cash flows and related weighted average interest rates by expected maturity dates for each of the Company's debt obligations. The information is presented in U.S. dollar equivalents, which is the Company's reporting currency. The instruments actual cash flows are denominated in U.S. dollars ($USD) or Euros (€EUR), as indicated in parentheses.

| | Expected Maturity Date | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **Total** | **Fair Value** |
| **Liabilities** | | | | | | | | |
| *Long-Term Debt:* | | | | | | | | |
| Variable rate (€EUR) | $ — | $ — | $ — | $ 8,294 | $ — | $ — | $ 8,294 | $ 8,294 |
| Variable interest rate as of June 30, 2021 | | | | 1.25% | | | 1.25% | |
| Variable rate ($USD) | $ — | $ — | $ — | $ 35,000 | $ — | $ — | $ 35,000 | $ 35,000 |
| Variable interest rate as of June 30, 2021 | | | | 1.35% | | | 1.35% | |
| Fixed rate ($USD) | $ 1,250 | $ 2,500 | $ 1,250 | $ — | $ — | $ — | $ 5,000 | $ 5,062 |
| Fixed interest rate | 5.21% | 5.21% | 5.21% | | | | 5.21% | |

The fair value of our fixed-rate debt at June 30, 2021 and December 31, 2020 was $5.1 million and $6.4 million, respectively. The fair value of our variable rate debt at June 30, 2021 and December 31, 2020 was $43.3 million and $186.2 million, respectively. A hypothetical 100 basis point change (increase or decrease) in interest rates would create an estimated change in fair value of our fixed-rate debt of $0.1 million as of June 30, 2021. A hypothetical 100 basis point change in interest rates on our variable-rate debt would change interest expense on an annual basis by $0.4 million.

*Exchange Rate Sensitivity*

The table below provides information about the Company's foreign currency forward exchange rate agreements that are sensitive to changes in foreign currency exchange rates. The table presents the notional amounts and weighted average exchange rates by expected (contractual) maturity dates for each type of foreign currency forward exchange agreement. These notional amounts generally are used to calculate the contractual payments to be exchanged under the contract.

| | Expected Maturity or Transaction Date | | |
|---|---|---|---|
| **Anticipated Transactions and Related Derivatives** | **2021** | **Total** | **Fair Value** |
| **USD Functional Currency** | | | |
| *Forward Exchange Agreements:* | | | |
| *(Receive $MXN / Pay $USD)* | | | |
| Total contract amount | $ 20,078 | $ 20,078 | $ 779 |
| Average contract rate | 20.92 | 20.92 | |

## ITEM 4. CONTROLS AND PROCEDURES

### (a) Evaluation of Disclosure Controls and Procedures

Management of the Company, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2021. As defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (as amended, the "Exchange Act"), disclosure controls and procedures are controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported on a timely basis, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of June 30, 2021.

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

There were no changes in the Company's internal control over financial reporting during the three months ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

We are subject to litigation from time to time in the ordinary course of business, however there is no material pending litigation to which we are a party and no material legal proceeding was terminated, settled or otherwise resolved during the three months ended June 30, 2021.

### ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors previously disclosed in Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020. You should carefully consider the risks and uncertainties described therein.

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

**Issuer Purchases of Equity Securities During Second Quarter 2021**

| Period | (a) Total Number of Shares Purchased | (b) Average Price Paid Per Share | (c) Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs | (d) Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (1) |
|---|---|---|---|---|
| April 1, 2021 to April 30, 2021 | — | $ — | — | $ 150,000,000 |
| May 1, 2021 to May 31, 2021 | — | $ — | — | $ 150,000,000 |
| June 1, 2021 to June 30, 2021 | — | $ — | — | $ 150,000,000 |

(1) On December 11, 2020, the Board of Directors authorized a new stock repurchase program (the "2020 Stock Repurchase Program") to commence upon expiration of the prior stock repurchase program on December 15, 2020. Under the 2020 Stock Repurchase Program, the Company is authorized to repurchase up to $150.0 million of its issued and outstanding common stock over a three-year period, expiring December 15, 2023. The authorization of this stock repurchase program does not require that the Company repurchase any specific dollar value or number of shares and may be modified, extended or terminated by the Company's Board of Directors at any time.

## ITEM 6. EXHIBITS

Exhibits to this Report are as follows:

| Exhibit Number | Exhibit Description | Filed /Furnished Herewith | Incorporated by Reference | | | |
|---|---|---|---|---|---|---|
| | | | Form | Period Ending | Exhibit / Appendix Number | Filing Date |
| 3.1 | Second Amended and Restated Articles of Incorporation of Gentherm Incorporated | | 8-K | | 3.2 | 3/5/18 |
| 3.2 | Amended and Restated Bylaws of Gentherm Incorporated | | 8-K | | 3.1 | 5/26/16 |
| 10.1* | First Amendment to the Employment Agreement between Gentherm Enterprises GmbH and Thomas Stocker, effective June 28, 2021 | X | | | | |
| 10.2* | Form of Restricted Stock Unit Award Agreement (Director) (effective as of 2021 grants) | X | | | | |
| 10.3* | Summary of Non-Employee Director Compensation (effective starting with the 2021 annual meeting of shareholders) | X | | | | |
| 31.1 | Section 302 Certification – CEO | X | | | | |
| 31.2 | Section 302 Certification – CFO | X | | | | |
| 32.1** | Section 906 Certification – CEO | X | | | | |
| 32.2** | Section 906 Certification – CFO | X | | | | |
| 101.INS | Inline XBRL Instance Document – The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. | X | | | | |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document. | X | | | | |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document. | X | | | | |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document. | X | | | | |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document. | X | | | | |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document. | X | | | | |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document contained in Exhibit 101) | X | | | | |

* Indicates management contract or compensatory plan or arrangement.

** Documents are furnished not filed.

**SIGNATURES**

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

**Gentherm Incorporated**

/s/ PHILLIP EYLER

Phillip Eyler
President and Chief Executive Officer
(Principal Executive Officer)

Date: July 30, 2021

/s/ MATTEO ANVERSA

Matteo Anversa
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

Date: July 30, 2021

| Erste Ergänzung zum Arbeitsvertrag | First Amendment to the Employment Agreement |
| --- | --- |
| zwischen | between |
| **Gentherm Enterprises GmbH**<br>Rudolf-Diesel-Str. 12, 85235 Odelzhausen | **Gentherm Enterprises GmbH**<br>Rudolf-Diesel-Str. 12, 85235 Odelzhausen |
| “**Gentherm**” oder “**Gesellschaft**” | “**Gentherm**” or “**Company**” |
| und | and |
| **Thomas Stocker**<br>Kerbelweg 28, 80995 München | **Thomas Stocker**<br>Kerbelweg 28, 80995 München |
| “**Leitender Angestellter**” | “**Executive**” |

**PRÄAMBEL**

(A) Der leitende Angestellte und Gentherm haben einen Arbeitsvertrag geschlossen, der auf den 13. März 2019 datiert (der „***Arbeitsvertrag***“).

(B) Die Parteien sind übereingekommen, den Arbeitsvertrag um die in dieser Vereinbarung dargelegten Bedingungen zu ergänzen.

DAZU vereinbaren die Parteien das Folgende:

**1. Abfindung bei Kontrollwechsel**

Die Gesellschaft gewährt dem Leitenden Angestellten nach Maßgabe folgender Voraussetzungen eine Change in Control Abfindung:

1.1 Endet das Arbeitsverhältnis des Leitenden Angestellten durch

(i) eine von der Gesellschaft oder ihrem Rechtsnachfolger ausgesprochene Kündigung ohne dass einer der in Ziffer 2.1 genannten Gründe vorliegt, oder

(ii) durch eine von dem Leitenden Angestellten ausgesprochene Kündigung aus triftigem Grund nach Ziffer 2.2

während eines Zeitfensters, das mit Unterzeichnung einer Vereinbarung über einen Kontrollwechsel nach Ziffer 2.3 beginnt und zwölf (12) Monate nach dem Kontrollwechsel endet, erhält der Leitende Angestellten vorbehaltlich der Bestimmungen in Ziffern 1.2 und 1.3 eine Abfindung, die sich wie folgt berechnet:

**PREAMBLE**

(A) Executive and Gentherm executed an employment agreement dated 13 March 2019 (the “***Employment Agreement***”).

(B) The Parties have agreed to amend the Employment Agreement by adding the terms set forth in this Agreement.

THEREFORE the Parties agree as follows:

**1. Change in Control Severance**

The Company agrees to provide a Change in Control Severance to the Executive pursuant to the conditions set out below, as follows:

1.1 If Executive’s employment relationship is terminated

(i) by the Company or its successor without Cause as defined in section 2.1 or

(ii) by the Executive for Good Reason as defined in section 2.2

during the window period starting with the signing of an agreement to engage in a Change in Control as defined in section 2.3 until twelve (12) months after the Change in Control, then the Executive will pursuant to the stipulations in sections 1.2 and 1.3 be entitled to a severance which will be calculated as follows:

1.1.1Zwei Jahresfestgehälter nach Ziffer 5.1 seines Arbeitsvertrags, zahlbar als einmaliger Pauschalbetrag innerhalb von dreißig (30) Tagen nach dem Tag der Beendigung des Arbeitsverhältnisses.

1.1.1Two (2) years of the fixed base pay of the Executive according to section 5.1 of his Employment Agreement, payable in a single lump sum payment within thirty (30) days of the effective end date of the employment relationship.

1.1.1Die Abfindung erhöht sich, ungeachtet eines unterjährigen Ausscheidens des Leitenden Angestellten aus den Diensten der Gesellschaft, um den zweifachen (2-fachen) Ziel-Bonus des Leitenden Angestellten nach Ziffer 5.3 seines Arbeitsvertrages für das Jahr, in dem das Arbeitsverhältnis endet, sofern der Leitende Angestellte auf den leistungsbezogenen variablen Bonus für dieses Jahr verzichtet. Die zusätzliche Abfindung nach dieser Ziffer 1.1.2 kommt als einmaliger Pauschalbetrag zusammen mit der Abfindung nach Ziffer 1.1.1 zur Auszahlung.

1.1.1Disregard of the end of the Executive Employee within the course of a year, the severance will be raised for an amount equivalent to two (2) times of the Executive's bonus target pursuant to section 5.3 of his Employment Agreement for the year in which the termination occurs provided that the Executive confirms that he will not be entitled to a bonus payment for this year. The additional severance pursuant to this section 1.1.2 shall be paid in a lump sum and together with the severance pursuant to section 1.1.1.

1.1.1Soweit der Bonus des Leitenden Angestellten für das Jahr vor der Beendigung des Arbeitsverhältnisses zum Beendigungszeitpunkt noch nicht ausgezahlt worden ist, wird er zum gleichen Zeitpunkt fällig und zahlbar, zu dem die Gesellschaft die Jahresboni an die aktiven Mitarbeiter auszahlt.

1.1.1To the extent the annual bonus for the year prior to the year in which the termination of employment occurs has not been made, payment of such annual bonus shall be made at same time the Company makes payment of such annual bonuses to active employees.

1.1Der Anspruch auf die Change in Control Abfindung nach Ziffer 1.1 entsteht in Faller einer Kündigung des Arbeitsverhältnisses durch die Gesellschaft oder ihren Rechtsnachfolger nach Ziffer 1.1 (i) nur, sofern der Leitende Angestellte bis zum Ablauf der Frist des § 4 Satz 1 Kündigungsschutzgesetz keine Klage auf Feststellung erhebt, dass das Arbeitsverhältnis durch die Kündigung nicht aufgelöst ist.

1.1The entitlement to the Change in Control Severance pursuant to section 1.1 is subject to the condition precedent that in case of a notice of termination by the Company or its sucessor in accordance withsSection 1.1 (i) above, the Executive refrains from filing a law suit within the period stipulated in section 4 sentence 1 of the German Termination Protection Act (*Kündigungsschutzgesetz*) that his employment relationship is not terminated by the notice of termination.

1.1Der Anspruch auf die Change in Control Abfindung nach Ziffer 1.1 entsteht in Faller einer Kündigung des Arbeitsverhältnisses durch die Gesellschaft oder ihren Rechtsnachfolger nach Ziffer 1.1 (i) oder durch den Leitenden Angestellten nach Ziffer 1.1 (ii) weiterhin nur, sofern der Leitende Angestellte [innerhalb von drei Wochen nach Erhalt bzw. Ausspruch der Kündigung] einen Aufhebungs- oder Abwicklungsvertrag über die Beendigung seines Arbeitsverhältnisses schließt, aus dem sich ergibt, dass die Gesellschaft oder ihr Rechtsnachfolger dem Leitenden Angestellten neben der unter Ziffer 1.1 genannten Change in Control Abfindung und dem dort genannten Bonus keine weiteren Abfindungen/Bonuszahlungen schuldet.

1.1Furthermore, the entitlement to the Change in Control Severance pursuant to section 1.1 is subject to the condition precedent that in case of a notice of termination by the Company or its sucessor in accordance with section 1.1 (i) above, or in case of a notice of termination by the Executive in accordance with section 1.1 (ii) above, the Executive enters [within a period of three weeks following the receipt of the notice of termination or the issuing of a notice letter by himself] into a termination agreement or a winding-up agreement on the termination of his employment relationship according to which the Company or its successor only owes the Change in Control Severance and bonus as stipulated in section 1.1 but no additional severance and/or bonus payments.

1.1Im Falle einer ordentlichen Kündigung durch die Gesellschaft oder ihren Rechtsnachfolger oder durch den Leitenden Angestellten nach Ziffer 1.1 bleibt die Gesellschaft oder ihr Rechtsnachfolger berechtigt, den Leitenden Angestellten während des Laufs der Kündigungsfrist nach Maßgabe der Bestimmungen seines Arbeitsvertrages bezahlt und unter Anrechnung etwaiger Urlaubsansprüche freizustellen.

1.1In case of an ordinary notice of termination by the Company or its successor or by the Executive in accordance with section 1.1, the Company or its successor remains entitled to release the Executive from his obligation to render services during the notice period in accordance with the respective stipulations of his Employment Agreement with continued payment and by setting off his vacation entitlements, if any.

**2.Definitionen**

**2.Definitions**

2.1Ein zu einem Ausschluss der Change in Control Abfindung führender „***Grund***“ für die Kündigung des Arbeitsverhältnisses des Leitenden Angestellten durch die Gesellschaft liegt vor, wenn der Leitenden Angestellte:

2.1A “***Cause***“ to terminate the Executive’s employment relationship by the Company which excludes the payment of a Change in Control Severance means:

(i) eine schwere Straftat oder eine Straftat, für die im Fall der Verurteilung eine Freiheitsstrafe wahrscheinlich ist, begeht oder dazu verurteilt wird, es sei denn, die Gesellschaft darf eine Einstellungsentscheidung nicht von einer solchen Verurteilung abhängig machen;

(ii) ein als Betrug zu qualifizierendes Verhalten (Handeln oder Unterlassen) gegenüber der der Gesellschaft begeht;

(iii) ein Verhalten oder ein öffentlicher Auftritt an den Tag legt, das geeignet ist, die Gesellschaft öffentlich zu diskreditieren, ihren Ruf zu schädigen oder ihr wirtschaftlichen Schaden zuzufügen;

(iv) angemessene Weisungen der Gesellschaft nicht befolgt;

(v) Treuepflichten verletzt oder ein grob fahrlässiges oder vorsätzliches Fehlverhalten gegenüber der Gesellschaft an den Tag legt;

(vi) gegen wesentliche Unternehmensrichtlinien wesentlich verstößt.

2.1 Ein die Zahlung einer Change in Control Abfindung auslösender „***triftiger Grund***“ für die Kündigung des Arbeitsverhältnisses durch den Leitenden Angestellten liegt vor, wenn die Gesellschaft:

(i) the commission or conviction of a felony, or any other crime of the Executive the conviction of which will likely result in incarceration, except to the extent applicable law restricts the Company from making an employment decision based on such a conviction;

(ii) the commission of any act or omission involving fraud of the Executive with respect to the Company;

(iii) the Executive’s conduct or publicity, not otherwise protected by law, having the potential to cause the Company public disgrace, disrepute or economic harm;

(iv) the failure of the Executive to timely perform duties reasonably directed by the Company;

(v) a breach of fiduciary duty, gross negligence or willful misconduct of the Executive with respect to the Company;

(vi) the Executive’s material violation of a material Company policy.

2.1 “***Good Reason***” for the termination of the employment relationship by the Executive which triggers the payment of a Change in Control severance means:

(i) den Arbeitsvertrag wesentlich verletzt hat;

(i) a material breach of the Employment Agreement by the Company;

(ii) die jeweils aktuelle Vergütung oder Zusatzleistungen wesentlich herabsetzt und/oder Zuständigkeiten, Aufgaben oder Pflichten vor oder nach einem Kontrollwechsel wesentlich herabsetzt;

(ii) a material diminution in Executive’s then-current compensation or benefits, authority, duties, or responsibilities, including prior to and following a Change in Control;

Ein „triftiger Grund“ ist nur gegeben, wenn (x) der Leitende Angestellte die Gesellschaft schriftlich innerhalb von 30 Tagen nach dem Eintritt einer der oben genannten Ereignisse darüber informiert und sie auffordert, die Situation zu beseitigen und die Gesellschaft die Situation nicht innerhalb von 30 Tagen nach Erhalt der Mitteilung beseitigt und (y) der Leitende Angestellte das Arbeitsverhältnis spätestens 45 Tage nach der Information über das Ereignis kündigt.

No “Good Reason” will exist unless (x) Executive notifies the Company in writing within 30 days after the existence of any condition listed above and asked the Company to cure the condition, and the Company fails to cure the condition within 30 days after receiving notice, and (y) Executive terminates employment by no later than 45 days after providing the notice.

2.1 Für die Zwecke dieser Vereinbarung bedeutet ein „***Kontrollwechsel***“ das zuerst eintretende von einem der folgenden Ereignisse, von denen jedes auch ein „***Kontrollwechselereignis***“ im Sinne von Treas. Reg. Abschnitt 1.409A-3(i)(5), der auf „nonqualified deferred compensation arrangements“ Anwendung findet, darstellen muss:

2.1 For purposes of this Agreement, a “***Change in Control***” means the earliest to occur of any of the following events, each of which must also constitute a “change in control event” within the meaning of Treas. Reg. section 1.409A-3(i)(5) which governs nonqualified deferred compensation arrangements:

(i) eine Person oder mehrere als Gruppe handelnde Personen nach Ziffer 2.4 dieser Vereinbarung, erwirbt bzw. erwerben das wirtschaftliche Eigentum an mehr als der Hälfte des gesamten Marktwerts oder mehr als die Hälfte aller Stimmrechte der zu dem Zeitpunkt ausstehenden Aktien der Gentherm Corporated bzw. hat/haben dies während des mit dem Datum des jüngsten Erwerbs durch eine solche Person oder Gruppe endenden Zwölfmonatszeitraums erworben;

(i) any one Person or more than one Person Acting as a Group as defined in section 2.4 of this Agreement acquires, or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Group, beneficial ownership of more than a majority of the total fair market value or total voting power of the then-outstanding stock of Gentherm Incorporated;

(ii) eine Person oder mehrere als Gruppe handelnde Personen erwirbt bzw. erwerben die Vermögenswerte der Gentherm Incorporated mit einem Bruttomarktwert (wie vom Board of Directors von Gentherm Incorporated (dem „***Board***“) bestimmt) von mehr als 50% des Bruttomarktwerts aller Vermögenswerte der Gentherm Incorporated vor Beginn der Übernahme, bzw. hat/haben dies während des mit dem Datum des jüngsten Erwerbs durch eine solche Person oder Gruppe endenden Zwölfmonatszeitraums erworben; oder

(iii) während eines beliebigen Zwölfmonatszeitraums wird eine Mehrheit der Mitglieder des Board durch Directors ersetzt, deren Ernennung oder Wahl nicht von einer Mehrheit der Mitglieder des Board of Directors befürwortet oder genehmigt wird, die vor der Einleitung der Ersetzung Mitglieder des Board of Directors waren.

2.1Für die Zwecke dieser Vereinbarung bedeutet „***Person***“ jede natürliche oder juristische Person oder Gruppe im Sinne von Abschnitt 13(d)(3) oder 14(d)(2) des Securities Exchange Act von 1934 in der jeweils gültigen Fassung (der „***Exchange Act***“), mit Ausnahme

(ii) any one Person or more than one Person Acting as a Group acquires, or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Group, the assets of Gentherm Incorporated that have a total gross fair market value (as determined by Gentherm’s Board of Directors (the “***Board***”)) of more than 50% of the total gross fair market value of all of the assets of Gentherm Incoprorated immediately prior to the initiation of the acquisition; or

(iii) a majority of the members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed or approved by a majority of the members of the Board who were members of the Board prior to the initiation of the replacement.

2.1For purposes of this Agreement, a “***Person***” means any individual, entity or group within the meaning of section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “***Exchange Act***”), other than

(i) der Gentherm Incorporated,

(ii) eines Treuhänders oder einer sonstigen treuhänderischen Verwaltung, die Wertpapiere im Rahmen eines Mitarbeitervorsorgeplans der Gentherm Incorporated hält, oder

(iii) einer Gesellschaft, die sich direkt oder indirekt in der Hand der Anteilseigner der Gentherm Incorporated befindet, und zwar im Wesentlichen in demselben Verhältnis wie diese Anteilseigner Aktien der Gentherm Incorporated auf sich vereinigen.

Personen gelten als „***als Gruppe handelnd***“ (oder als „***Gruppe***“), wenn sie eine „Gruppe“ im Sinne von Abschnitt 13 des Exchange Act sind. Wenn eine Person Kapitalbeteiligungen an beiden Unternehmen besitzt, die eine Fusion, Konsolidierung, einen Kauf oder Erwerb von Aktien oder eine ähnliche Transaktion durchführen, wird dieser Anteilseigner nur in Bezug auf die Eigentümerschaft an diesem Unternehmen vor der Transaktion, die zu der Änderung führt, als „als Gruppe handelnd“ mit anderen Anteilseignern betrachtet, nicht aber in Bezug auf die Kapitalbeteiligung an dem anderen Unternehmen. Personen werden nicht allein deshalb als „als Gruppe handelnd“ angesehen, weil sie zur gleichen Zeit Vermögenswerte desselben Unternehmens erwerben oder zur gleichen Zeit oder als Ergebnis desselben öffentlichen Angebots Anteile desselben Unternehmens kaufen oder besitzen.

(i) Gentherm Incorporated,

(ii) any trustee or other fiduciary holding securities under an employee benefit plan of Gentherm Incorporated, or

(iii) any corporation owned, directly or indirectly, by the shareholders of Gentherm Incorporated in substantially the same proportions as their ownership of stock of Gentherm Incorporated.

Persons will be considered to be “***Acting as a Group***” (or a “***Group***”) if they are a “group” as defined under section 13 of the Exchange Act. If a Person owns equity interests in both entities that enter into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be Acting as a Group with other shareholders only with respect to the ownership in that entity before the transaction giving rise to the change and not with respect to the ownership interest in the other entity. Persons will not be considered to be Acting as a Group solely because they purchase assets of the same entity at the same time or purchase or own stock of the same entity at the same time, or as a result of the same public offering.

2.1Das Vorliegen eines „***Change in Control***“ wird von dem CEO von Gentherm Corporated offiziell bekanntgegeben.

2.1The occurance of a “***Change in Control***” will be formally announced by Gentherm Corporated’s CEO.

**3.Schlussbestimmungen**

**3.Final Provisions**

3.1Diese Vereinbarung ersetzt alle Abfindungsregelungen, die im Arbeitsvertrag, dem geänderten und neu gefassten Gentherm Incorporated Senior Level Performance Bonus Plan oder anderen Vereinbarungen vorgesehen sind.

3.1This Agreement supersedes any severance opportunity provided in the Employment Agreement, the Amended and Restated Gentherm Incorporated Senior Level 2Performance Bonus Plan or any other agreement.

3.1Diese Vereinbarung ersetzt oder ändert nicht die Bestimmung zur Behandlung von Kapitalbeteiligungen oder Rechten zum Erwerb von Kapitalbeteiligungen des Leitenden Angestellten nach Beendigung seines Arbeitsverhältnisses.

3.1For clarity, this Agreement does not supersede or modify any provision governing the treatment of Executive’s equity interests or rights to acquire equity interests following the termination of Executive’s employment.

3.1Im Übrigen bleibt der Arbeitsvertrag vom 13. März 2019 unverändert in Kraft und wirksam.

3.1Except as expressly set forth in this Agreement, the Employment Agreement dated 13 March 2019 remains unmodified, in force and effect.

3.1Die deutsche Fassung ist maßgeblich. Die englische Fassung ist eine Übersetzung ausschließlich zu Informationszwecken.

3.1The German version is binding. The English version is a convenience translation for information purposes only.

**Unterschriften/Signatures**

**Gentherm Enterprises GmbH:**

| | | | |
|---|---|---|---|
| Datum/Date: | 6/18/21 | Datum/Date: | 6/10/21 |
| | /s/ Matteo Anversa | | /s/ Barbara Runyon |
| Name: | Matteo Anversa | Name: | Barbara Runyon |
| Position: | Executive Vice President, CFO and Treasurer<br>Geschäftsführer<br>Gentherm Enterprises GmbH | Position: | Chief Human Resources Officer Gentherm Group |

/s/ Elisabeth Fortuin
Name:i.V. Elisabeth Fortuin
Position:Global Director HR - Automotive C&C, Director HR Europe

**Thomas Stocker:**

Datum/Date: 28.6.2021

/s/ Thomas Stocker
Name: Thomas Stocker

**GENTHERM INCORPORATED**
**2013 EQUITY INCENTIVE PLAN**

**RESTRICTED STOCK AWARD AGREEMENT**

Gentherm Incorporated, a Michigan corporation (the “***Corporation***”), as permitted by the Gentherm Incorporated 2013 Equity Incentive Plan, as amended (the “***Plan***”), hereby grants to the individual listed below (the “***Participant***”), a restricted stock award as described herein, subject to the terms and conditions of the Plan and this Restricted Stock Award Agreement (“***Agreement***”).

Unless otherwise defined in this Agreement, the terms used in this Agreement have the same meaning as defined in the Plan.

**1. NOTICE OF RESTRICTED STOCK AWARD**.

| | |
|---|---|
| **Participant:** | ______________________ |
| **Grant Date:** | ______________________ |
| **Number of Shares of Restricted Stock in Award:** | ______________________ |

**2. GRANT OF RESTRICTED STOCK AWARD**. The Corporation hereby grants to the Participant, as of the Grant Date, the number of shares of restricted common stock (“***Restricted Stock***”) set forth in the table above. By clicking the “ACCEPT” button, the Participant agrees to the following: “***This electronic contract contains my electronic signature, which I have executed with the intent to sign this Agreement.***”

**3. VESTING.** Subject to the Participant’s continued service with the Corporation, the Restricted Stock shall vest on such date that is the earlier of (a) the 2022 annual meeting of shareholders of the Corporation and (b) the first anniversary of the 2021 annual meeting of shareholders of the Corporation (the “***Vesting Date***”). **4. TERMINATION OF SERVICES; FORFEITURE.** Notwithstanding any other provision of this Agreement:

**(a) Termination for Any Reason.** Any unvested shares of Restricted Stock subject to this Award shall be immediately canceled and forfeited if the Participant’s continued service with the Corporation is terminated for any reason.

**(b) Discretion to Accelerate.** Notwithstanding anything to the contrary contained herein, the Committee retains the right to accelerate the vesting of all or a portion of the Restricted Stock subject to this Award.

**5. CHANGE IN CONTROL.** In the event of a Change in Control, the Restricted Stock shall be subject to the provisions of Section 24 of the Plan.

**6. SECTION 83(B).** If Participant properly elects (as required by Section 83(b) of the Code) within 30 days after the Grant Date to include in Participant’s gross income for federal income tax purposes in the year of issuance the fair market value of the Restricted Stock, Participant shall pay to the Corporation or make arrangements satisfactory to the Corporation to pay to the Corporation upon such election, any foreign, federal, state or local taxes required to be withheld with respect to the Restricted Stock. If Participant shall fail to make such payment, the Corporation shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to the Participant any federal, state or local taxes of any kind required by law to be withheld with respect to the Restricted Stock. Participant acknowledges that it is Participant’s sole responsibility, and not the Corporation’s responsibility, to file timely and properly the election under Section 83(b) of the Code and any corresponding provisions of state tax laws if Participant elects to make such election, and Participant agrees to provide the Corporation with a copy of any such election within ten (10) calendar days of making such election.

**7. RIGHTS AS SHAREHOLDER.** Except for the potential forfeitability of the Restricted Stock before the occurrence of a Vesting Date, Participant has all rights of a shareholder (including voting and dividend rights) commencing on the Grant Date, subject to Participant's execution of this Agreement. With respect to any dividends that are paid with respect to the Restricted Stock between the date of this Agreement and the end of any applicable restricted period, such dividends (whether payable in cash or shares) shall be subject to the same restrictions as the Restricted Stock, including any forfeiture provisions described in Section 2 hereof.

**8. ADJUSTMENTS**. In the event of any stock dividend, reclassification, subdivision or combination, or similar transaction affecting this Award, the rights of the Participant will be adjusted as provided in Section 5(d) of the Plan.

**9. NON-TRANSFERABILITY OF AWARD**. Without the express written consent of the Committee, which may be withheld for any reason in its sole discretion, neither the Restricted Stock nor any interest in the Restricted Stock may be transferred, assigned, pledged, hypothecated or borrowed against, except for a transfer under the laws of descent or distribution as a result of the death of the Participant. The terms of the Plan and this Agreement shall be binding upon the Participant's executors, administrators, heirs, successors and assigns. Any attempt to transfer, assign, pledge, hypothecate or borrow against the Restricted Stock in violation of this Section 9 in any manner shall be null and void and without legal force or effect.

**10. RESTRICTED STOCK CERTIFICATE LEGEND.** The Corporation will either issue a stock certificate or certificates representing the shares of Restricted Stock (the *"**Certificate**")* and register the Certificate in the Participant's name, or make such other arrangements with its stock transfer agent to issue uncertificated interests, including in book-entry form (***"Book Entry"***). If a Certificate is issued, it will be deposited with the Corporation, together with a stock power endorsed in blank by the Participant. A legend will be placed upon such Certificate as provided below. Subject to the other terms and conditions of this Award, upon the lapse of the restricted period applicable to such shares of Restricted Stock or any portion of them (prior to cancelation and forfeiture), the Corporation will cause the Certificate deposited with the Corporation to be reissued and delivered to the Participant without such legend. If a Book Entry is made, the Corporation will issue "stop transfer" instructions with respect to the shares of Restricted Stock until the lapse of the restricted period applicable to such shares of Restricted Stock or any portion of them (prior to cancelation and forfeiture). Each Certificate representing shares of Restricted Stock granted pursuant to this Agreement shall initially bear the following legend:

> "THE SALE OR OTHER TRANSFER OF THE SHARES OF COMMON STOCK REPRESENTED BY THIS CERTIFICATE, WHETHER VOLUNTARY, INVOLUNTARY, OR BY OPERATION OF LAW, IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER SET FORTH IN THE GENTHERM INCORPORATED 2013 EQUITY INCENTIVE PLAN, AND IN A RESTRICTED STOCK AWARD AGREEMENT. A COPY OF THE PLAN AND SUCH RESTRICTED STOCK AWARD AGREEMENT MAY BE OBTAINED FROM THE SECRETARY OF GENTHERM INCORPORATED."

**11. WITHHOLDING OBLIGATIONS.** The Participant shall be responsible for all taxes required by law to be withheld by the Corporation or a Subsidiary in respect of the grant, vesting or settlement of the Restricted Stock, and the Corporation may make any arrangements it deems appropriate to ensure payment of any such tax by the Participant. In its Discretion and by way of example and without limitation (i) the Corporation may require the Participant to make a cash payment to the Corporation in an amount equal to any such withholding tax obligation at the time or at any time after such withholding tax obligation is due and payable, (ii) the Corporation may retain and not issue to the Participant that number of shares of Common Stock otherwise issuable that have a then value equal to the amount of any such withholding tax, or (iii) the Corporation or any Subsidiary may collect any such withholding tax by reducing any compensation or other amount otherwise then or thereafter owing by the Corporation or any Subsidiary to the Participant.

**12. THE PLAN; AMENDMENT**. This Award is subject in all respects to the terms, conditions, limitations and definitions contained in the Plan, which is incorporated herein by reference. In the event of any discrepancy or inconsistency between this Agreement and the Plan, the terms and conditions of the Plan shall control. The Committee shall have the right, in its Discretion, to modify or amend this Agreement from time to time in accordance with and as provided in the Plan. This Agreement may also be modified or amended by a writing signed by both the Corporation and the Participant. The Corporation shall give written notice to the Participant of any such modification or amendment of this Agreement as soon as practicable after the adoption thereof.

**13. RIGHTS OF PARTICIPANT; REGULATORY REQUIREMENTS.** Without limiting the generality of any other provision of this Agreement or the Plan, Sections 21 and 22 of the Plan pertaining to the limitations on the Participant's rights and certain regulatory requirements are hereby explicitly incorporated into this Agreement.

**14. NOTICES**. Notices hereunder shall be mailed or delivered to the Corporation at its principal place of business and shall be mailed or delivered to the Participant at the address on file with the Corporation or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

**15. GOVERNING LAW.** This Agreement shall be legally binding and shall be executed and construed and its provisions enforced and administered in accordance with the laws of the State of Michigan, without regard to its choice of law or conflict of law provisions that would cause the application of the laws of any jurisdiction other than the State of Michigan.

**16. DATA PRIVACY NOTICE**. Participant hereby acknowledges that the collection, use and transfer, in electronic or other form, of Participant's personal data as described in this Agreement and any other Restricted Stock grant materials by the Corporation (and its Subsidiaries) is necessary for the purpose of implementing, administering and managing Participant's participation in the Plan. The Participant authorizes, agrees and unambiguously consents to the transmission by the Corporation (and its Subsidiaries) of any personal data information related to this Award for legitimate business purposes (including, without limitation, the administration of the Plan). This authorization and consent is freely given by the Participant.

Participant understands that the Corporation and its Subsidiaries may hold certain personal information about Participant, including, but not limited to, Participant's name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number (e.g., resident registration number), salary, nationality, job title, details of all Restricted Stock or any other entitlement to shares of Common Stock awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("***Data***"), for the purpose of implementing, administering and managing the Plan.

Participant understands that Data will be transferred to Merrill Lynch, Pierce, Fenner & Smith Inc., and its related companies ("***Merrill Lynch***") or any stock plan service provider as may be selected by the Corporation in the future, which is assisting the Corporation with the implementation, administration and management of the Plan. Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country of operation (e.g., the United States) may have different data privacy laws and protections than Participant's country. Participant understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. The Corporation, Merrill Lynch, any stock plan service provider selected by the Corporation and any other possible recipients which may assist the Corporation (presently or in the future) with implementing, administering and managing the Plan may receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan. Participant understands that Data will be held only as long as is necessary to implement, administer and manage Participant's participation in the Plan plus any required period thereafter for purposes of complying with data retention policies and procedures. Participant understands that based on where s/he resides, s/he may have additional rights with respect to personal data collected, used or transferred in connection with this Agreement or any other Restricted Stock grant materials by the Corporation (and its Subsidiaries), and Participant may contact in writing his or her local human resources representative.

**17. BINDING AGREEMENT; ASSIGNMENT**. This Agreement shall inure to the benefit of, be binding upon, and be enforceable by the Corporation and its successors and assigns. The Participant shall not assign (except in accordance with Section 9 hereof) any part of this Agreement without the prior express written consent of the Corporation.

**18. HEADINGS**. The titles and headings of the various sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this Agreement.

**19. COUNTERPARTS**. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument.

**20. SEVERABILITY**. The invalidity or unenforceability of any provision of this Agreement in any jurisdiction shall not affect the validity, legality or enforceability of the remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of any provision of this Agreement in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

**21. ACQUIRED RIGHTS**. The Participant acknowledges and agrees that: (a) the Corporation may terminate or amend the Plan at any time; (b) the award of the Restricted Stock made under this Agreement is completely independent of any other award or grant and is made in the Discretion of the Corporation; (c) no past grants or awards (including, without limitation, the Restricted Stock awarded hereunder) give the Participant any right to any grants or awards in the future whatsoever; and (d) none of the benefits granted under this Agreement are part of the Participant’s ordinary salary or compensation, and shall not be considered as part of such salary or compensation in the event of or for purposes of determining the amount of or entitlement to severance, redundancy or resignation or benefits under any employee benefit plan.

**22. COMPENSATION RECOVERY.** By signing this Agreement, the Participant acknowledges and agrees that the Restricted Stock subject to this Award or any Award previously granted to Participant by the Corporation shall be subject to forfeiture and/or recovery under any compensation recovery policy that may be adopted from time to time by the Corporation. For avoidance of doubt, compensation recovery rights to shares of Restricted Stock (including shares acquired under previously granted equity awards) shall extend to the proceeds realized by the Participant due to the sale or other transfer of shares of Restricted Stock.

---

SIGNATURE PAGE FOLLOWS

**GENTHERM INCORPORATED**

Dated:

By: ____________________________
Name:
Title:

**PARTICIPANT ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS RESTRICTED STOCK AWARD AGREEMENT, NOR IN THE CORPORATION'S 2013 EQUITY INCENTIVE PLAN, AS AMENDED, WHICH IS INCORPORATED INTO THIS AGREEMENT BY REFERENCE, CONFERS ON PARTICIPANT ANY RIGHT WITH RESPECT TO CONTINUATION AS A SERVICE PROVIDER OR DIRECTOR OF THE CORPORATION OR ANY PARENT OR ANY SUBSIDIARY OR AFFILIATE OF THE CORPORATION, NOR INTERFERES IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE CORPORATION'S RIGHT TO TERMINATE PARTICIPANT'S SERVICE OR DIRECTOR RELATIONSHIP AT ANY TIME, WITH OR WITHOUT CAUSE AND WITH OR WITHOUT PRIOR NOTICE.**

**BY ACCEPTING THIS AGREEMENT, PARTICIPANT ACKNOWLEDGES RECEIPT OF A COPY OF THE PLAN AND REPRESENTS THAT THE PARTICIPANT IS FAMILIAR WITH THE TERMS AND PROVISIONS OF THE PLAN. PARTICIPANT ACCEPTS THE RESTRICTED STOCK SUBJECT TO ALL OF THE TERMS AND PROVISIONS OF THIS AGREEMENT. PARTICIPANT HAS REVIEWED THE PLAN AND THIS AGREEMENT IN THEIR ENTIRETY. PARTICIPANT AGREES TO ACCEPT AS BINDING, CONCLUSIVE AND FINAL ALL DECISIONS OR INTERPRETATIONS OF THE COMMITTEE UPON ANY QUESTIONS ARISING UNDER THE PLAN OR THIS AGREEMENT.**

Dated:

By: ____________________________
Name:

**Exhibit 10.3**

# GENTHERM INCORPORATED

## SUMMARY OF NON-EMPLOYEE DIRECTOR COMPENSATION

Non-employee directors of the Board receive a mix of cash and share-based compensation. Directors who are employees or officers of the Corporation do not receive any additional compensation for Board service.

Cash compensation is paid in advance at the annual meeting of shareholders.

The compensation described herein will have effect starting with the 2021 annual meeting of shareholders.

In addition to reimbursement for out-of-pocket expenses, including those incurred in attending Board and committee meetings, non-employee directors receive the following:

| | **Value ($)** |
|---|---|
| **Annual cash retainer for Board service:** | |
| Chair of the Board | 116,000 |
| Lead Independent Director (if any) | 81,000 |
| Other non-employee directors | 76,000 |
| **Annual cash retainers for Committee service:** | |
| Audit Committee – Chair | 15,000 |
| Compensation, Nominating & Corporate Governance, Technology and Mergers & Acquisitions Committees – Chair | 10,000 |
| Audit, Compensation, Nominating & Corporate Governance, Technology and Mergers & Acquisitions Committees – Member | 5,000 |
| **Annual equity retainer (restricted stock award)** | 100,000 |

The restricted stock award vests on the earlier of the first anniversary of the date of grant, or the date of the next annual meeting, subject to the applicable director’s continued service or retirement (all as under the terms of the Corporation’s then-applicable incentive equity plan). The number of shares will be determined based on the closing trading price of a share of common stock on the grant date (date of the annual meeting).

**CERTIFICATION**

I, Phillip Eyler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gentherm Incorporated;
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.

/s/ Phillip Eyler
Phillip Eyler
President and Chief Executive Officer
July 30, 2021

**Exhibit 31.2**

**CERTIFICATION**

I, Matteo Anversa, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gentherm Incorporated;
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.

/s/ Matteo Anversa

Matteo Anversa
Executive Vice President, Chief Financial Officer and Treasurer
July 30, 2021

**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 Gentherm Incorporated (the “Company”) on Form 10-Q for the period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Phillip Eyler, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1). The Report fully complies with the requirements of Section 13(a) or 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.

/s/ Phillip Eyler
Phillip Eyler
President and Chief Executive Officer
July 30, 2021

**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 Gentherm Incorporated (the “Company”) on Form 10-Q for the period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Matteo Anversa, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1). The Report fully complies with the requirements of Section 13(a) or 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.

/s/ Matteo Anversa

Matteo Anversa
Executive Vice President, Chief Financial Officer and Treasurer
July 30, 2021