

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

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
(State or other jurisdiction of
incorporation or organization)

21680 Haggerty Road, Ste. 101, Northville, MI
(Address of principal executive offices)

95-4318554
(I.R.S. Employer
Identification No.)

48167
(Zip Code)

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company

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

At November 1, 2013, the registrant had 34,689,569 shares of Common Stock, no par value, issued and outstanding.

GENTHERM INCORPORATED

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GENTHERM INCORPORATED
CONSOLIDATED CONDENSED BALANCE SHEETS
(In thousands, except share data)

	September 30, 2013 (unaudited)	December 31, 2012
ASSETS		
Current Assets:		
Cash & cash equivalents	\$ 36,003	\$ 58,152
Accounts receivable, less allowance of \$2,878 and \$2,474, respectively	122,330	102,261
Inventory:		
Raw Materials	35,388	28,279
Work in process	2,720	2,461
Finished goods	24,698	23,016
Inventory, net	<u>62,806</u>	<u>53,756</u>
Derivative financial instruments	292	160
Deferred income tax assets	14,389	15,006
Prepaid expenses and other assets	15,222	12,809
Total current assets	<u>251,042</u>	<u>242,144</u>
Property and equipment, net	73,608	55,010
Goodwill	25,300	24,729
Other intangible assets	85,827	95,870
Deferred financing costs	1,246	1,880
Deferred income tax assets	7,772	5,361
Derivative financial instruments	2,403	4,141
Other non-current assets	10,701	10,062
Total assets	<u>\$ 457,899</u>	<u>\$ 439,197</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 55,176	\$ 42,508
Accrued liabilities	57,696	54,157
Current maturities of long-term debt	22,164	17,218
Derivative financial instruments	2,652	3,326
Total current liabilities	<u>137,688</u>	<u>117,209</u>
Pension benefit obligation	4,961	5,009
Other liabilities	2,836	4,540
Long-term debt, less current maturities	65,270	39,734
Derivative financial instruments	9,553	13,245
Deferred income tax liabilities	21,945	21,828
Total liabilities	<u>242,253</u>	<u>201,565</u>
Series C Convertible Preferred Stock	—	22,469
Shareholders' equity:		
Common Stock:		
No par value; 55,000,000 shares authorized, 34,689,569 and 29,818,225 issued and outstanding at September 30, 2013 and December 31, 2012, respectively	228,985	166,309
Paid-in capital	(9,076)	24,120
Accumulated other comprehensive income (expense)	(9,308)	(11,231)
Accumulated earnings	3,854	(17,383)
Total Gentherm Incorporated shareholders' equity	<u>214,455</u>	<u>161,815</u>
Non-controlling interest	1,191	53,348
Total shareholders' equity	<u>215,646</u>	<u>215,163</u>
Total liabilities and shareholders' equity	<u>\$ 457,899</u>	<u>\$ 439,197</u>

See accompanying notes to the consolidated condensed financial statements.

GENTHERM INCORPORATED
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Product revenues	\$ 171,182	\$ 141,058	\$ 479,792	\$ 406,737
Cost of sales	125,265	104,203	354,672	303,110
Gross margin	45,917	36,855	125,120	103,627
Operating expenses:				
Net research and development expenses	12,718	10,257	36,962	30,566
Acquisition transaction expenses	326	—	1,911	—
Selling, general and administrative	18,319	16,560	53,483	45,972
Total operating expenses	31,363	26,817	92,356	76,538
Operating income	14,554	10,038	32,764	27,089
Interest expense	(1,062)	(898)	(2,916)	(3,082)
Revaluation of derivatives	217	(993)	1,201	(1,056)
Foreign currency gain (loss)	(1,612)	(421)	(1,514)	2,357
Income (loss) from equity investment	77	3	319	(228)
Other income	191	310	691	859
Earnings before income tax	12,365	8,039	30,545	25,939
Income tax expense	3,600	2,366	6,343	7,324
Net income	8,765	5,673	24,202	18,615
Gain attributable to non-controlling interest	(63)	(1,672)	(1,340)	(4,491)
Net income attributable to Gentherm Incorporated	8,702	4,001	22,862	14,124
Convertible preferred stock dividends	(159)	(1,516)	(1,622)	(5,521)
Net income attributable to common shareholders	\$ 8,543	\$ 2,485	\$ 21,240	\$ 8,603
Basic earnings per share	\$ 0.25	\$ 0.08	\$ 0.64	\$ 0.31
Diluted earnings per share	\$ 0.24	\$ 0.08	\$ 0.63	\$ 0.30
Weighted average number of shares – basic	34,447	29,619	33,261	28,177
Weighted average number of shares – diluted	34,886	30,003	33,584	28,676

See accompanying notes to the consolidated condensed financial statements.

GENTHERM INCORPORATED

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

	Nine Months Ended September 30,	
	2013	2012
Net income	\$ 24,202	\$ 18,615
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	1,848	1,649
Unrealized gain (loss) on interest rate derivative securities	105	(55)
Foreign currency translation adjustments from deferred tax	(197)	—
Other comprehensive loss, net of tax	\$ 1,756	\$ 1,594
Comprehensive income	25,958	20,209
Less: comprehensive income attributable to the non-controlling interest	1,173	4,844
Comprehensive income attributable to Gentherm Incorporated	\$ 24,785	\$ 15,365

See accompanying notes to the consolidated condensed financial statements.

GENTHERM INCORPORATED
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2013	2012
Operating Activities:		
Net income	\$ 24,202	\$ 18,615
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	23,467	22,737
Deferred tax provision	(1,138)	2,134
Stock compensation	1,861	911
Defined benefit plan expense	(159)	(303)
Provision of doubtful accounts	369	(305)
Gain on revaluation of financial derivatives	(2,859)	(1,064)
Loss (gain) on equity investment	(318)	228
Loss on sale of property, plant and equipment	48	53
Excess tax benefit from equity awards	(1,317)	(1,577)
Changes in operating assets and liabilities:		
Accounts receivable	(19,606)	(16,728)
Inventory	(8,824)	(4,250)
Prepaid expenses and other assets	(2,458)	(7,264)
Accounts payable	11,250	4,622
Accrued liabilities	4,099	10,715
Net cash provided by operating activities	<u>28,617</u>	<u>28,524</u>
Investing Activities:		
Purchase of non-controlling interest	(46,835)	—
Purchase of derivative financial instruments	—	(7,787)
Proceeds from the sale of property, plant and equipment	7	20
Purchase of property and equipment	(30,016)	(15,344)
Loan to equity investment	—	(590)
Cash invested in corporate owned life insurance	(266)	(265)
Patent costs	—	(1,744)
Net cash used in investing activities	<u>(77,110)</u>	<u>(25,710)</u>
Financing Activities:		
Borrowing of debt	48,923	3,286
Repayments of debt	(18,966)	(19,149)
Distributions paid to non-controlling interests	(3)	(290)
Proceeds from public offering of common stock	—	75,487
Excess tax benefit from equity awards	1,317	1,577
Cash paid to Series C Preferred Stock Holders	(9,142)	(17,340)
Proceeds from sale of W.E.T. equity to non-controlling interest	—	1,921
Proceeds from the exercise of Common Stock options	2,901	733
Net cash provided by financing activities	<u>25,030</u>	<u>46,225</u>
Foreign currency effect	1,314	(599)
Net increase (decrease) in cash and cash equivalents	(22,149)	48,440
Cash and cash equivalents at beginning of period	58,152	23,839
Cash and cash equivalents at end of period	<u>\$ 36,003</u>	<u>\$ 72,279</u>
Supplemental disclosure of cash flow information:		
Cash paid for taxes	\$ 7,174	\$ 5,678
Cash paid for interest	\$ 2,249	\$ 2,787
Supplemental disclosure of non-cash transactions:		
Common stock issued to Board of Directors and employees	\$ 1,028	\$ 314
Issuance of common stock to non-controlling interest	\$ 42,517	\$ —
Issuance of common stock for Series C Preferred Stock conversion	\$ 15,508	\$ —

See accompanying notes to the consolidated condensed financial statements.

GENTHERM INCORPORATED

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands)
(Unaudited)

	Common Stock		Paid-in Capital	Accumulated Earnings	Accumulated Other Comprehensive Loss	Total Gentherm Equity	Non- Controlling Interest	Total
	Shares	Amount						
Balance at December 31, 2012	29,818	\$ 166,309	\$ 24,120	\$ (17,383)	\$ (11,231)	\$ 161,815	\$ 53,348	\$ 215,163
Exercise of Common Stock options for cash	437	4,023	(1,122)	—	—	2,901	—	2,901
Tax benefit from Exercises of Common Stock options	—	—	1,317	—	—	1,317	—	1,317
Stock issued upon conversion of preferred stock	954	15,108	—	—	—	15,108	—	15,108
Stock option compensation	—	—	833	—	—	833	—	833
Common Stock issued to Board of Directors and employees	180	1,028	—	—	—	1,028	—	1,028
Convertible preferred stock dividends	—	—	—	(1,622)	—	(1,622)	—	(1,622)
Acquisition of non-controlling interest	3,300	42,517	(34,224)	—	—	8,293	(53,327)	(45,034)
Distribution paid to non-controlling interest	—	—	—	(3)	—	(3)	(3)	(6)
Interest rate hedge, net	—	—	—	—	105	105	—	105
Currency translation, net	—	—	—	—	2,015	2,015	(167)	1,848
Currency translation from deferred taxes, net	—	—	—	—	(197)	(197)	—	(197)
Net income	—	—	—	22,862	—	22,862	1,340	24,202
Balance at September 30, 2013	<u>34,689</u>	<u>\$ 228,985</u>	<u>\$ (9,076)</u>	<u>\$ 3,854</u>	<u>\$ (9,308)</u>	<u>\$ 214,455</u>	<u>\$ 1,191</u>	<u>\$ 215,646</u>

See accompanying notes to the consolidated condensed financial statements.

GENTHERM INCORPORATED
NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(In thousands, except share and per share data)

Note 1 – The Company and Subsequent Event

Gentherm Incorporated is a leading supplier of thermal seat comfort and cable systems to the global automotive industry. Unless the context otherwise requires, the terms “Gentherm”, “Company”, “we”, “us” and “our” used herein refer to Gentherm Incorporated. The term “historical Gentherm” used herein excludes W.E.T. Automotive Systems AG (“W.E.T.”), a subsidiary of Gentherm Incorporated. The Company performs design, development and manufacturing functions in locations aligned with our major customers’ product strategies in order to grow and expand our business around the globe. We are working to expand application of our existing technologies into new markets and products and to develop and refine new technologies to improve our existing products.

On February 22, 2013, historical Gentherm acquired an additional 442,253 shares in W.E.T., representing approximately 14% of the total outstanding shares in W.E.T., through a transaction agreement with W.E.T.’s largest minority shareholder. The Company paid 3,300,000 shares of Gentherm common stock and cash of €5,408, or \$7,247, for these shares. As of September 30, 2013, we had acquired an additional 309,537 shares in W.E.T., raising our total ownership interest in W.E.T. above 99%. These additional shares were purchased at a price of €85 per share for a total of €26,311, or \$35,256. Gentherm borrowed an additional \$40,441 from the US Bank of America credit facility in connection with the purchase of these shares. See Note 6 below for additional information about the US Bank of America credit facility.

On February 22, 2013, the Company registered a Domination and Profit and Loss Transfer Agreement (“DPLTA”) in Germany with respect to W.E.T. The DPLTA essentially allows historical Gentherm and W.E.T. to be managed as one operational entity.

Subsequent Event

On October 31, 2013, the Company announced that it had registered a squeeze-out transaction in Germany and now owns 100 percent of the outstanding shares of W.E.T. As a result of the squeeze-out, the remaining shares of W.E.T., representing less than one percent of W.E.T.’s outstanding shares, were transferred to Gentherm and the applicable minority shareholders are entitled to receive €90.05 per share held at the time of registration.

Note 2 – Basis of Presentation and New Accounting Pronouncements

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring items, considered necessary for a fair presentation have been included. The balance sheet as of December 31, 2012 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. Operating results for the nine month period ended September 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013. It is suggested that these consolidated condensed financial statements be read in conjunction with the financial statements and the notes thereto for the year ended December 31, 2012 included in our Annual Report on Form 10-K.

Hedge Accounting

In July 2013, the Financial Accounting Standards Board (FASB) issued ASU 2013-10 which permits the use of the Overnight Index Swap Rate (OIS), also referred to as the Fed Fund Effective Swap Rate as a U.S. GAAP benchmark interest rate for hedge accounting purposes under Topic 815. Currently, only the interest rates on direct Treasury obligations of the U.S. government (UST) and the London Interbank Offered Rate (LIBOR) swap rate are considered benchmark interest rates in the United States. This update also removes the restriction on using different benchmark rates for similar hedges. Including the Fed Funds Effective Swap Rate as an acceptable U.S. benchmark interest rate in addition to UST and LIBOR will provide risk managers with a more comprehensive spectrum of interest rate resets to utilize as the designated interest risk component under the hedge accounting guidance in Topic 815. The amendments of this ASU are effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013.

GENTHERM INCORPORATED
NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(In thousands, except share and per share data)

Note 2 – Basis of Presentation and New Accounting Pronouncements – Continued

We do not anticipate that the adoption of this guidance will have a material effect on our consolidated balance sheet or statement of operations.

Unrecognized Tax Benefits

ASU 2013-11, issued in July 2013, requires that an unrecognized tax benefit be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. When a net operating loss, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional taxes that would result from the disallowance of a tax position, or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purposes, the unrecognized tax benefit should be presented in the financial statements as a liability. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date.

ASU 2013-11 is effective for fiscal years and interim periods beginning after December 15, 2013 and should be applied prospectively to all unrecognized tax benefits that exist at the effective date. As Gentherm already nets together an unrecognized tax benefit associated with a deferred tax asset from tax credit carryforwards, we do not anticipate an impact to our consolidated balance sheet resulting from the adoption of this guidance.

Tax Regulation

The Company is evaluating the impact of the regulations concerning amounts paid to acquire, produce, or improve tangible property and recovery of basis upon disposition. Because the revenue procedures governing the tangible property regulations will not be issued until the fourth quarter, the Company is still determining whether or not any changes in accounting method will be required and if they will result in a material impact to its financial statements. At this time, the Company does not anticipate there being a material impact.

Note 3 – Earnings per Share

Basic earnings per common share are computed by dividing net income by the weighted average number of shares of stock outstanding. The Company's diluted earnings per common share give effect to all potential shares of Common Stock outstanding during a period that are not anti-dilutive. In computing the diluted earnings per share, the treasury stock and if converted methods are used in determining the number of shares assumed to be purchased from the conversion of Common Stock equivalents.

The following summarizes the amounts included in the dilutive shares as disclosed on the face of the consolidated condensed statements of operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Weighted average number of shares for calculation of basic EPS – Common Stock	34,447,098	29,618,964	33,261,115	28,177,182
Impact of stock options outstanding under the 1997, 2006 and 2011 Stock Option Plans	439,364	384,383	323,111	498,461
Weighted average number of shares for calculation of diluted EPS	<u>34,886,462</u>	<u>30,003,347</u>	<u>33,584,226</u>	<u>28,675,643</u>

The accompanying table represents Common Stock issuable upon the exercise of certain stock options, the Series C Convertible Preferred Stock and potential dividends paid in common stock that have been excluded from the diluted shares calculation because the effect of their inclusion would be anti-dilutive.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Stock options outstanding under the 2006, 2011 and 2013 Stock Option Plans	500,000	584,586	508,000	584,586
Series C Convertible Preferred Stock	—	2,092,291	—	2,092,291
	<u>500,000</u>	<u>2,676,877</u>	<u>508,000</u>	<u>2,676,877</u>

GENTHERM INCORPORATED
NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(In thousands, except share and per share data)

Note 4 – Segment Reporting

Segment information is used by management for making operating decisions and assessing the performance of the Company. Management evaluates the performance of its segments based primarily on operating income.

The Company's reportable segments are as follows:

- *Climate Control Seats (CCS)* – variable temperature seat climate control system designed to improve the temperature comfort of automobile passengers. This segment also includes the heated and cooled cup holder and heated and cooled mattress divisions. This segment represents historical Gentherm business only. It does not include seat climate control products of historical W.E.T.
- *Advanced Technology* – a division engaged in research and development efforts to improve the efficiency of thermoelectric devices and to develop, market and distribute products based on this new technology. It includes U.S. Department of Energy sponsored research projects, such as the development of a commercially viable thermoelectric generator.
- *W.E.T. Automotive AG (W.E.T.)* – W.E.T. is being evaluated currently as an individual segment until such time as Gentherm is able to fully evaluate and implement its future integration plans and strategy.

The tables below present segment information about the reported product revenues and operating income of the Company for the three month period ended September 30, 2013 and 2012. With the exception of goodwill, asset information by segment is not reported since the Company does not manage assets at a segment level at this time. Goodwill as of September 30, 2013 and 2012 pertained entirely to our W.E.T. segment.

Three Months Ended September 30,	CCS	Advanced Technology	W.E.T.	Reconciling Items	Consolidated Total
2013:					
Product revenues	\$ 37,697	\$ —	\$ 133,485	\$ —	\$ 171,182
Depreciation and amortization	437	117	6,870	313	7,737
Operating income (loss)	11,152	(1,544)	11,297	(6,351)	14,554
2012:					
Product revenues	\$ 33,966	\$ —	\$ 107,092	\$ —	\$ 141,058
Depreciation and amortization	329	82	6,692	342	7,445
Operating income (loss)	9,328	(1,631)	8,249	(5,908)	10,038

The Advanced Technology operating loss for the three months ended September 30, 2013 and 2012 is net of \$375 and \$656, respectively, of reimbursed research and development costs. Reconciling items include historical Gentherm's corporate selling, general and administrative costs and acquisition transaction costs.

Nine Months Ended September 30,	CCS	Advanced Technology	W.E.T.	Reconciling Items	Consolidated Total
2013:					
Product revenues	\$ 103,460	\$ —	\$ 376,332	\$ —	\$ 479,792
Depreciation and amortization	1,115	344	21,143	865	23,467
Operating income (loss)	28,953	(5,174)	28,407	(19,422)	32,764
2012:					
Product revenues	\$ 96,117	\$ —	\$ 310,620	\$ —	\$ 406,737
Depreciation and amortization	787	388	20,697	865	22,737
Operating income (loss)	25,037	(5,260)	22,274	(14,962)	27,089

The Advanced Technology operating loss for the nine months ended September 30, 2013 and 2012 is net of \$1,597 and \$1,763, respectively, of reimbursed research and development costs. Reconciling items include historical Gentherm's corporate selling, general and administrative costs and acquisition transaction costs.

GENTHERM INCORPORATED
NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(In thousands, except share and per share data)

Note 4 – Segment Reporting – Continued

Total product revenues information by geographic area:

	Three Months Ended September 30,			
	2013		2012	
United States	\$ 76,543	45%	\$ 60,012	42%
Germany	20,847	12%	17,773	13%
China	18,285	11%	15,694	11%
South Korea	13,546	8%	10,716	8%
Japan	10,281	6%	10,294	7%
United Kingdom	5,180	3%	3,407	2%
Mexico	4,230	2%	3,581	3%
Czech Republic	4,114	2%	4,375	3%
Canada	3,432	2%	2,782	2%
Other	14,724	9%	12,424	9%
Total product revenues	\$ 171,182	100%	\$ 141,058	100%

	Nine Months Ended September 30,			
	2013		2012	
United States	\$ 211,462	44%	\$ 173,233	43%
Germany	61,332	13%	49,405	12%
China	47,972	10%	43,510	11%
South Korea	39,069	8%	31,213	8%
Japan	28,591	6%	24,014	6%
United Kingdom	13,319	3%	12,959	3%
Czech Republic	11,893	3%	12,102	3%
Mexico	11,696	2%	11,467	3%
Canada	10,533	2%	9,527	2%
Other	43,925	9%	39,307	10%
Total product revenues	\$ 479,792	100%	\$ 406,737	100%

Note 5 – Series C Convertible Preferred Stock

In March 2011, the Company issued 7,000 shares of our Series C Convertible Preferred Stock (each a “Preferred Share” and, collectively, the “Preferred Shares”) having an initial stated value of \$10,000 per Preferred Share, subject to adjustment. We received approximately \$64,013 in net proceeds from the sale, after deducting placement agent fees and other offering expenses which totaled \$5,987. We used the net proceeds from this offering to fund, in part, the W.E.T. acquisition.

Holders of the Series C Convertible Preferred Stock were entitled to receive, out of funds legally available therefore, dividends payable in cash (if permitted under the US Bank of America credit facility), our Common Stock (if certain equity conditions are satisfied or waived as of the applicable date), or any combination thereof, at the election of the Company, at the rate of 8% per annum of the stated value, payable quarterly in arrears on September 1, December 1, March 1 and June 1 of each year, commencing September 1, 2011. Dividends on our Series C Convertible Preferred Stock are cumulative from the date of initial issuance.

The Series C Convertible Preferred Stock was to be redeemed in nine equal quarterly installments that began on September 1, 2011 and ended September 1, 2013 (each, an “Amortization Date”) by paying cash, issuing shares of our Common Stock or any combination thereof for \$10,000 per Preferred Share plus accumulated and unpaid dividends.

GENTHERM INCORPORATED
NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(In thousands, except share and per share data)

Note 5 – Series C Convertible Preferred Stock – Continued

Holders of the Series C Convertible Preferred Stock could have converted their shares at any time into shares of common stock at a conversion price of \$15.83, including the conversion of accrued but unpaid dividends per Preferred Share then remaining into shares of common stock, and in addition would be entitled to a make-whole amount that would apply in a conversion (reflecting dividends that would have been payable through maturity if the Series C Convertible Preferred Stock had remained outstanding); provided, however, that under certain conditions where our US Bank of America credit facility prohibits payment of the make-whole amount, we would only be obligated to pay such make-whole amount at the time such amount, or portion thereof, would have been due to be paid as a dividend as if the Series C Convertible Preferred Stock at issue had not been converted.

In March 2013, holders of the Series C Convertible Preferred Stock elected to convert 165 shares into shares of common stock at the conversion price of \$15.83 per share. The Company issued approximately 105,000 shares of common stock related to the conversion of Series C Convertible Preferred Stock.

In May 2013, holders of the Series C Convertible Preferred Stock elected to convert 650 shares into shares of common stock at the conversion price of \$15.83 per share. The Company issued approximately 418,000 shares of common stock related to the conversion of Series C Convertible Preferred Stock.

During the months of July and August, 2013, holders of the Series C Convertible Preferred Stock elected to convert all unredeemed remaining shares of common stock at the conversion price of \$15.83 per share. The Company issued approximately 432,000 shares of common stock related to the conversion of Series C Convertible Preferred Stock.

Total Series C Convertible Preferred Stock installments paid in cash during the nine months period ended September 30, 2013 is as follows:

	Installment Payments (\$)
Dividend	\$ 696
Principal	8,446
Total	\$ 9,142

Note 6 – Debt

Gentherm, Inc. and our subsidiary, Gentherm Europe, have entered into a credit agreement with a syndicate of banks led by Bank of America (the “US Bank of America credit facility”). W.E.T., a subsidiary of Gentherm Europe, has also entered into a credit facility with the same syndicate of banks (the “W.E.T. Bank of America credit facility”).

The US Bank of America credit facility provided two term notes (referred to as the “US Term Note and Europe Term Note”) and a revolving line of credit note (“US Revolving Note”). The W.E.T. Bank of America credit facility provided W.E.T. with a term note (“W.E.T. Term Note”) and a revolving line of credit note (“W.E.T. Revolving Note”).

The US Term Note and Europe Term Note are subject to quarterly principal payments, with total principal amortization of 10% of the original principal amount in the first year and amortization of 12.5%, 15%, 17.5% and 10% of the original principal amount during years two, three, four and five, respectively with all remaining amounts owing under each term facility due and payable in full at the term loan maturity date. The W.E.T. Term Note is subject to quarterly principal payments totaling 20% annually. Principal outstanding under the two credit facilities will be due and payable in full on March 30, 2016. Interest is payable at least quarterly. The Company has the option to elect interest rates based on either a Eurocurrency (LIBOR or EURIBOR) rate (“Eurocurrency Rate Loans”) (0.17% – 0.45% at September 30, 2013) or a base rate (“Base Rate Loans”) plus a margin (“Applicable Rate”), which varies based on the Consolidated Leverage Ratio of the Company, as defined by the US and W.E.T. Bank of America credit agreements. The base rate is equal to the highest of the Federal Funds Rate (0.06% at September 30, 2013) plus 0.5%, Bank of America’s prime rate (3.25% at September 30, 2013), or a one month Eurocurrency rate plus 1.0%. The Applicable Rate for the current period was 2.25% for Eurocurrency Rate Loans and 1.25% for Base Rate Loans. The Company must maintain a minimum Consolidated Fixed Charge Coverage Ratio and a maximum Leverage Ratio, as defined by the Bank of America credit agreement. The loans are secured by all of the Company’s assets.

In February 2013, the Company made a \$40,441 draw on the existing Europe Term Note portion of the US Bank of America credit facility to finance the purchase of shares of WET held by non-controlling interests. The Europe Term Note has expired and additional draws are not available to Gentherm.

GENTHERM INCORPORATED
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(In thousands, except share and per share data)

Note 6 – Debt – Continued

In September 2012, we borrowed CN¥20,000, or \$3,159, from Bank of China to fund a plant expansion project in China. The Bank of China loan was paid in full on September 10, 2013 with interest calculated at a fixed rate of 6.9%.

In May 2013, the Company made an initial draw of €2,000, or \$2,601, on a loan from the German Investment Corporation, a subsidiary of KfW banking group, a German government-owned development bank (“DEG Loan”), to fund the China plant expansion project. An additional draw of €2,000, or \$2,701, was made in September and the entire loan balance was rolled into a fixed interest rate loan with an interest rate of 3% plus a Euro Swap Rate of 1.25%. The Bank of China short term financing used to complete the project was repaid from funds available under the DEG Loan. The DEG Loan is subject to semi-annual principal payments beginning March, 2015 and ending September, 2019. Under the terms of the loan, the Company must maintain a minimum Debt-to-Equity Ratio, Current Ratio and Debt Service Coverage Ratio based on the financial statements of W.E.T. Automotive Systems (China) Limited, as defined by the DEG Loan agreement.

The Company’s capital lease agreement for an enterprise resource planning system ended in May. A new lease agreement for an enterprise resource planning system commenced June, 2013 and will end May, 2015. Under the terms of the lease, the Company must maintain certain financial covenants. Ownership of the system will be transferred to the Company at the end of the agreement.

No amounts were outstanding under either the US Revolving Note or the W.E.T. Revolving Note as of September 30, 2013 and \$29,550 and €20,000 were available under each note, respectively. Gentherm has an outstanding Letter of Credit of \$450 as of September 30, 2013.

The following table summarizes the Company’s debt at September 30, 2013 and at December 31, 2012.

	September 30, 2013		December 31, 2012
	Interest Rate	Principal Balance	Principal Balance
US Term Note	2.50%	\$ 25,813	\$ 29,312
Europe Term Note	2.50%	40,507	4,476
W.E.T. Term Note	2.00%	12,897	18,852
DEG Loan	4.25%	5,403	—
Capital Leases	4.20%	2,814	1,140
Bank of China		—	3,172
Total debt		87,434	56,952
Current portion		(22,164)	(17,218)
Long-term debt, less current maturities		\$ 65,270	\$ 39,734

As of September 30, 2013, we were in compliance with all terms as outlined in the credit agreement for each of the US Bank of America credit facility, the W.E.T. Bank of America credit facility, the DEG loan and the capital lease agreement.

Note 7 – Derivative Financial Instruments

We are exposed to market risk from changes in foreign currency exchange rates, short term interest rates and price fluctuations of certain material commodities such as copper. Foreign currency exchange risks are attributable to sales to foreign customers not denominated in the seller’s functional currency, foreign plant operations, intercompany indebtedness and purchases from foreign suppliers and include exposures to the European Euro, Canadian Dollar, Japanese Yen, Hungarian Forint, Korean Won and Mexican Peso. The Company regularly enters into derivative contracts with the objective of managing its financial and operational exposure arising from this risk by offsetting gains and losses on the underlying exposures with gains and losses on the financial instruments used to hedge them. 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. We record the ineffective portion of hedging instruments, if any, to other income (expense) in the consolidated condensed statements of operations.

GENTHERM INCORPORATED
NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(In thousands, except share and per share data)

Note 7 – Derivative Financial Instruments – Continued

In March 2008, W.E.T. entered into a 10 year currency related interest rate swap (“CRS”) having a notional value of €10,000, or \$13,508 as of September 30, 2013, in order to offset the interest rate risk associated with a debt financing which was repaid prior to our acquisition of W.E.T. Under this agreement W.E.T. receives interest equal to the then nine month Euro Interbank Offered Rate (“EURIBOR”), 0.45% at September 30, 2013, plus 1.40% and pays interest equal to the nine month EURIBOR when the exchange rate between the European Euro (“EUR”) and the Swiss Franc (“CHF”), which was 1.23 at September 30, 2013, equals or exceeds 1.46 EUR to the CHF or pays interest equal to the six month EURIBOR plus a premium when this exchange rate is less than 1.46. The premium is calculated as $[(1.46 - \text{current EUR/CHF rate})/\text{current EUR/CHF rate}] \times 100$. In 2012, W.E.T. entered into offsetting derivative contracts designed to cancel out the payment due under the CRS through the end of the CRS agreement, in 2018.

In September 2011, W.E.T. brought a lawsuit against UniCredit Bank AG (“UniCredit”), a past financial advisor, stemming from the recommendation to invest in the aforementioned CRS. On March 25, 2013, the Munich District Court in Munich, Germany ruled in favor of W.E.T., asserting that UniCredit violated its duty to properly advise W.E.T. with respect to the initial negative market value for the CRS and UniCredit’s inherent conflict of interest in recommending that W.E.T. invest in CRS. The Munich District Court ruled that UniCredit must (1) pay €144 to W.E.T. and (2) bear the costs of all future obligations under the CRS, which were €8,906 or \$12,030 as of September 30, 2013, plus additional accrued liabilities for past due payments under the CRS of approximately €4,930, or \$6,659 as of September 30, 2013. UniCredit has appealed the decision. As a result, the Company cannot be certain that any portion of the decision by the Munich District Court will be realized by W.E.T. See the derivatives table below for information about our future obligations under the CRS as of September 30, 2013.

In July 2011, the Company entered into a series of interest rate swap contracts designated as cash flow hedges and an interest rate cap agreement in order to hedge the exposure to variable market interest rates on the Company’s senior debt. Gains and losses reported in accumulated other comprehensive income will be reclassified to earnings once the Company’s senior debt is repaid.

The Company uses a market approach to value derivative instruments, analyzing observable 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 balance sheet as of September 30, 2013 is as follows:

	Hedge Designation	Fair Value Hierarchy	Asset Derivatives		Liability Derivatives		Net Asset/ (Liabilities)
			Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	
CRS	Not a hedge	Level 2			Current liabilities	\$ (2,476)	
					Non current liabilities	(9,553)	
Total CRS						\$ (12,029)	\$ (12,029)
Foreign currency derivatives	Not a hedge	Level 2	Current assets	\$ 3	Current liabilities	\$ (57)	\$ (54)
Foreign currency derivatives	Not a hedge	Level 2	Current assets	\$ 289			\$ 289
			Non current assets	2,403			\$ 2,403
Total foreign currency derivatives				\$ 2,695		\$ (57)	\$ 2,638
Interest rate swap derivatives	Cash flow hedge	Level 2			Current liabilities	\$ (119)	\$ (119)

GENTHERM INCORPORATED
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(In thousands, except share and per share data)

Note 7 – Derivative Financial Instruments – Continued

Information relating to the effect of derivative instruments on our consolidated income statements is as follows:

Location		Three Months Ended September 30, 2013	Nine Months Ended September 30, 2013
Foreign currency derivatives	Revaluation of derivatives	\$ 581	\$ (694)
	Foreign currency gain (loss)	(426)	(844)
Total foreign currency derivatives		\$ 155	\$ (1,538)
CRS	Revaluation of derivatives	\$ (364)	\$ 1,895
Commodity derivatives	Revaluation of derivatives	\$ —	\$ —
Interest Rate Swap	Interest Expense	\$ 8	\$ 8
	Other Comprehensive Income	\$ 30	\$ 105

Location		Three Months Ended September 30, 2012	Nine Months Ended September 30, 2012
Foreign currency derivatives	Revaluation of derivatives	\$ (2,036)	\$ (2,514)
	Foreign currency gain (loss)	1,051	1,722
Total foreign currency derivatives		\$ (985)	\$ (792)
CRS	Revaluation of derivatives	\$ 1,045	\$ 1,315
Commodity derivatives	Revaluation of derivatives	\$ (2)	\$ 143
Interest Rate Swap	Interest Expense	\$ (12)	\$ (54)
	Other Comprehensive Income	\$ (25)	\$ (55)

We did not incur any hedge ineffectiveness during the nine months ended September 30, 2013 and 2012.

Note 8 – Fair Value Measurement

The Company bases fair value on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We have adopted a fair value hierarchy that prioritizes observable and unobservable inputs used 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: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

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

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.

The Company's derivative instruments and hedging activities and pension assets qualify as financial assets and liabilities whose fair value is measured on a recurring basis each reporting period. Fair value measurement disclosures for our derivative instruments and hedging activities are located within Note 7. The carrying amounts of financial instruments comprising cash and cash equivalents, short-term investments and accounts receivable approximate their fair values due to their short-term nature. The carrying value of the Company's long-term debt approximates its fair value because interest charged on the loan balance is variable. There were no significant changes to interest rates during the period.

Certain Company assets are required to be recorded at fair value on a non-recurring basis when events and circumstances indicate that the carrying value may not be recoverable. As of September 30, 2013 and 2012, the Company did not realize any changes to the fair value of these assets due to events that negatively impacted their recoverability.

FORWARD LOOKING STATEMENTS

Certain matters discussed or referenced in this report, including expectations of future revenues, our financing requirements, our capital expenditures, our potential acquisitions and our prospects for the development of new products, new customers or new orders from existing customers, are forward-looking statements. Other forward-looking 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. All forward-looking statements speak only as of the date of this report, and we expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this report to reflect any change in our expectations with regard to such statements or any change in events, conditions or circumstances on which any such statement is based. Although such statements are based upon our current expectations, and we believe such expectations are reasonable, such expectations, and the forward-looking statements based on them, are subject to a number of factors, risks and uncertainties that could cause our actual results to differ materially from those described in the forward-looking statements, including those described below and in our other filings with the Securities and Exchange Commission.

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

General

Gentherm Incorporated designs, develops, manufactures and markets proprietary thermal seat comfort systems and cable systems for sale to automobile and truck original equipment manufacturers ("OEMs"). The Company's current reportable segments are Climate Controlled Seats ("CCS"), Advanced Technology and W.E.T. CCS represents historical Gentherm's seat climate control systems, which are designed to improve the temperature comfort of automobile passengers. The CCS segment includes sales of our heated and cooled cup holder and heated and cooled mattress, both of which utilize our proprietary thermoelectric device ("TED") technology.

Advanced Technology represents a division of the Company engaged in research and development efforts to improve the efficiency of TEDs and to develop, market and distribute products based on this technology.

W.E.T., a German publicly traded company based in Odelzhausen, Germany, is a subsidiary of Gentherm. W.E.T.'s primary product categories include automotive seat comfort systems and specialized automotive cable systems. The automotive seat comfort systems category includes automotive seat heaters, climate comfort systems (similar to Gentherm's climate controlled seat technology) for automotive seats, automotive steering wheel heater systems and integrated electronic components. The specialized automotive cable systems category includes ready-made wire harnesses and related wiring products.

On February 22, 2013, historical Gentherm acquired an additional 442,253 shares in W.E.T., representing approximately 14% of the total outstanding shares in W.E.T., through a transaction agreement with W.E.T.'s largest minority shareholder. The Company paid 3,300,000 shares of Gentherm common stock and cash of €5,408,000 or \$7,247,000 for these shares. As of June 30, 2013, we had acquired an additional 309,460 shares in W.E.T., raising our total ownership interest in W.E.T. above 99%. These additional shares were purchased at a price of €85 per share for a total of €26,304,000 or \$35,247,000. Gentherm borrowed an additional \$40,441,000 from the US Bank of America credit facility in connection with the purchase of these shares. See Note 6 of the accompanying Notes to Unaudited Consolidated Condensed Financial Statements for additional information about the US Bank of America credit facility.

On February 22, 2013, the Company registered a Domination and Profit and Loss Transfer Agreement ("DPLTA") in Germany with respect to W.E.T. The DPLTA essentially allows historical Gentherm and W.E.T. to be managed as one operational entity.

Management is currently in the process of developing new segments based on future integration plans for W.E.T. and a new global strategy.

Third Quarter 2013 Compared with Third Quarter 2012

Segment information is used by management for making operating decisions and assessing the performance of the Company. Management evaluates the performance of its segments based primarily on operating income.

The Company's reportable segments are as follows:

- *Climate Control Seats (CCS)* – variable temperature seat climate control system designed to improve the temperature comfort of automobile passengers. This segment also includes the heated and cooled cup holder and heated and cooled mattress divisions. This segment represents historical Gentherm business only. It does not include climate control seat products of W.E.T.
- *Advanced Technology* – a division engaged in research and development efforts to improve the efficiency of thermoelectric devices and to develop, market and distribute products based on this new technology. It includes U.S. Department of Energy sponsored research projects, such as the development of a commercially viable thermoelectric generator.
- *W.E.T. Automotive AG (W.E.T.)* – W.E.T. is being evaluated currently as an individual segment until such time as Gentherm is able to fully evaluate and implement its future integration plans and strategy.

The following table presents segment information about the reported product revenues and operating income of the Company for the three month period ended September 30, 2013 and 2012.

Three Months Ended September 30,	CCS	Advanced Technology	W.E.T.	Reconciling Items	Consolidated Total
	(In Thousands)				
2013:					
Product revenues	\$ 37,697	\$ —	\$ 133,485	\$ —	\$ 171,182
Depreciation and amortization	437	117	6,870	313	7,737
Operating income (loss)	11,152	(1,544)	11,297	(6,351)	14,554
2012:					
Product revenues	\$ 33,966	\$ —	\$ 107,092	\$ —	\$ 141,058
Depreciation and amortization	329	82	6,692	342	7,445
Operating income (loss)	9,328	(1,631)	8,249	(5,908)	10,038

Product Revenues. Product revenues for the three months ended September 30, 2013 (“Third Quarter 2013”) were \$171,182,000 compared with product revenues of \$141,058,000 for the three months ended September 30, 2012 (“Third Quarter 2012”), an increase of \$30,124,000, or 21%. Product revenues for CCS increased by \$3,731,000 or 11%, compared to Third Quarter 2012 while product revenues of W.E.T. grew by \$26,393,000, or 25%. Higher CCS sales were due to program launches since Third Quarter 2012 including the Cadillac CTX and the North American variant of the Hyundai Sonata and additional volume on programs launched during Third Quarter 2012 including the redesigned Land Rover Range Rover, Nissan Pathfinder and Infiniti JX. Production volumes on existing vehicle platforms were higher in North America but lower in Japan. The weakness in Japan primarily reflected certain mature vehicle programs that are expected to be refreshed in the coming months. W.E.T. product revenue increases resulted from strong automotive volumes in North America and Asia and continued market penetration in the automotive cable business. W.E.T.’s European based sales were 12% higher than the prior year despite local economic weakness partly due to the market penetration of the cable business. Included in these amounts are W.E.T.’s climate controlled seat products that include heated and cooled as well as heated and ventilated seats which grew 33% to approximately \$36,000,000 during the third quarter.

Foreign currency translation of our Euro denominated product revenue for Third Quarter 2013, which was approximately €35,683,000 versus €31,855,000 during Third Quarter 2012, benefited our product revenue results by approximately \$2,612,000. The average US Dollar/Euro exchange rate for Third Quarter 2013 was 1.3244 versus 1.2512 for Third Quarter 2012.

Cost of Sales. Cost of sales increased to \$125,265,000 in Third Quarter 2013 from \$104,203,000 in Third Quarter 2012. This increase of \$21,062,000, or 20%, is due to increased sales volume partially offset by a higher gross margin percentage. A favorable change in product mix and favorable coverage of fixed manufacturing costs at the higher volume levels were partially offset by costs to establish a new electronics production facility in Shenzhen, China contributed to the higher gross profit percentage during Third Quarter 2013. The electronics facility will produce products for our existing business in the coming quarters and is expected to generate new product revenue streams in future periods.

Net Research and Development Expenses. Net research and development expenses were \$12,718,000 during Third Quarter 2013 compared to \$10,257,000 in Third Quarter 2012, an increase of \$2,461,000, or 24%. This increase is primarily driven by additional resources, including personnel, focused on application engineering for new production programs on existing products, development of new products, start-up costs for the new electronic production facility and a program to develop the next generation of seat comfort products using the best ideas and designs of the combined Gentherm and W.E.T. systems. New product development includes automotive heated and cool storage devices, automotive interior thermal management devices, medical thermal management devices, battery thermal management devices and other potential products.

We classify development and prototype costs and related reimbursements as research and development. This is consistent with accounting standards applied in the automotive industry. Depreciation costs for tooling are included in cost of sales.

Acquisition Transaction Expenses. We incurred \$326,000 in fees, legal and other expenses associated with the acquisition of W.E.T. shares during Second Quarter 2013 and subsequent squeeze-out procedures during the Third Quarter 2013. We did not incur any acquisition transaction expenses during Third Quarter 2012.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased to \$18,319,000 in Third Quarter 2013 from \$16,560,000 in Third Quarter 2012, an increase of \$1,759,000, or 11%. Increases in expenses are due to higher legal, audit and travel costs, as well as wages and benefits costs resulting from new employee hiring and merit increases. The additional employees are primarily related to establishing a new electronics production facility in Shenzhen, China, increasing sales and marketing efforts aimed at supporting our current product development strategy and the ongoing integration process between historical Gentherm and W.E.T. We believe that our selling, general and administrative costs will level off as we work through the integration process and implement cost reduction initiatives enabled by this integration over the next three years.

Income Tax Expense. We recorded an income tax expense of \$3,600,000 during Third Quarter 2013 representing an effective tax rate of 29% on earnings before income tax of \$12,365,000. This effective tax rate was lower than the US Federal rate of 34% primarily due to the impact of lower statutory rates for our subsidiaries operating in foreign jurisdictions. During the Third Quarter 2012, we recorded an income tax expense of \$2,366,000 representing an effective tax rate of 29% on earnings before income tax of \$8,039,000. Our effective tax rate was estimated based upon a forecast of our full year results.

Nine Months Ending September 30, 2013 Compared with Nine Months Ending September 30, 2012

The following table presents segment information about the reported product revenues and operating income of the Company for the nine month period ended September 30, 2013 and 2012.

Nine Months Ended September 30,	CCS	Advanced Technology	W.E.T.	Reconciling Items	Consolidated Total
	(In Thousands)				
2013:					
Product revenues	\$ 103,460	\$ —	\$ 376,332	\$ —	\$ 479,792
Depreciation and amortization	1,115	344	21,143	865	23,467
Operating income (loss)	28,953	(5,174)	28,407	(19,422)	32,764
2012:					
Product revenues	\$ 96,117	\$ —	\$ 310,620	\$ —	\$ 406,737
Depreciation and amortization	787	388	20,697	865	22,737
Operating income (loss)	25,037	(5,260)	22,274	(14,962)	27,089

Product Revenues. Product revenues for the nine months ended September 30, 2013 (“YTD 2013”) were \$479,792,000 compared with product revenues of \$406,737,000 for the nine months ended September 30, 2012 (“YTD 2012”), an increase of \$73,055,000, or 18%. Product revenues for CCS increased by \$7,343,000 or 8% while product revenues for W.E.T. grew by \$65,712,000, or 21%, compared to YTD 2012. Higher CCS revenue was primarily driven by new program launches since YTD 2012 including the Cadillac CTX and the newly redesigned Land Rover Range Rover and additional volume on programs launched during First Half 2012 including the Nissan Pathfinder and Infiniti JX. Production volumes on existing vehicle platforms were higher in North America but lower in Japan and Korea. The weakness in Japan primarily reflected certain mature vehicle programs that are expected to be refreshed in the coming months. Weakness in Korea was due to a production volume decrease in the Kia K9 program which has experienced poor retail sales during the period. W.E.T. product revenue increases resulted from strong automotive volumes in North America and Asia and continued market penetration in the automotive cable business. W.E.T.’s European based sales were 11% higher than the prior year despite local economic weakness partly due to the market penetration of the cable business. Included in these amounts are W.E.T.’s climate controlled seat products that include heated and cooled as well as heated and ventilated seats which grew 27% to approximately \$99,000,000 for YTD 2013. Foreign currency translation of our Euro denominated product revenue for YTD 2013, which was approximately €106,103,000 versus €95,483,000 during YTD 2012, increased the US Dollar reported product revenue by approximately \$3,735,000. The average US Dollar/Euro exchange rate for YTD 2013 was 1.3172 versus 1.2820 for YTD 2012.

Cost of Sales. Cost of sales increased to \$354,672,000 in YTD 2013 from \$303,110,000 in YTD 2012. This increase of \$51,562,000, or 17%, is due to increased sales volume offset by higher gross margin percentages. A favorable change in product mix and greater coverage of fixed costs at the higher volume levels increased historical gross profit percentage during YTD 2013 to approximately 26% compared with 25% during YTD 2012. The higher gross profit was partially offset by costs to establish a new electronics production facility in Shenzhen, China. The electronics facility will produce products for our existing business in the coming quarters and is expected to generate new product revenue streams in future periods.

Net Research and Development Expenses. Net research and development expenses were \$36,962,000 during YTD 2013 compared to \$30,566,000 in YTD 2012, an increase of \$6,396,000, or 21%. This increase is primarily driven by additional resources, including personnel, focused on application engineering for new production programs on existing products, development of new products, start-up costs for the new electronic production facility and a program to develop the next generation of seat comfort products using the best ideas and designs of the combined Gentherm and W.E.T. systems. New product development includes automotive heated and cool storage devices, automotive interior thermal management devices, medical thermal management devices, battery thermal management devices and other potential products.

We classify development and prototype costs and related reimbursements as research and development. This is consistent with accounting standards applied in the automotive industry. Depreciation costs for tooling are included in cost of sales.

Acquisition Transaction Expenses. We incurred \$1,911,000 in fees, legal and other expenses associated with the acquisition of W.E.T. shares and subsequent squeeze out procedures during YTD 2013. These fees included payments totaling \$750,000 to the

holders of our Series C Convertible Preferred Stock who waived certain equity offering participation rights allowing for the partial funding of W.E.T. shares with Gentherm common stock. We did not incur any acquisition transaction expenses during YTD 2012.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased to \$53,483,000 in YTD 2013 from \$45,972,000 in YTD 2012, an increase of \$7,511,000, or 16%. This increase is partially due to the termination amounts paid to the former Chief Executive Officer of W.E.T. who resigned during the Second Quarter 2013. Such amounts totaled approximately \$1,800,000. We have also experienced an increase in expenses due to higher general legal, audit and travel costs, as well as wages and benefits costs resulting from new employee hiring and merit increases. The additional employees are primarily related to establishing a new electronics production facility in Shenzhen, China, increasing sales and marketing efforts aimed at supporting our current product development strategy and beginning the integration process between historical Gentherm and W.E.T. We incurred approximately \$550,000 in incremental audit and accounting expenses driven by Sarbanes-Oxley compliance implementation for W.E.T. which began during Second Quarter 2012. We believe that our selling, general and administrative costs will level off as we work through the integration process and implement cost reduction initiatives enabled by this integration over the next three years.

Income Tax Expense. We recorded an income tax expense of \$6,343,000 during YTD 2013 representing an effective tax rate of 21% on earnings before income tax of \$30,545,000. This amount included a one-time benefit resulting from the American Taxpayer Relief Act of 2012 (“the Act”) which was signed into law on January 2, 2013. The Act restored the research and development credit and certain exemption under the foreign income tax rules, retroactively to the beginning of 2012. As a result, we recognized approximately \$1,300,000 in benefits associated with our 2012 tax year during YTD 2013. Had the Act been adopted during 2012, the benefit would have been recorded during that year and YTD 2013 effective tax rate would have been 25%. This effective tax rate was lower than the US Federal rate of 34% primarily due to the impact of lower statutory rates for our subsidiaries operating in foreign jurisdictions. During YTD 2012, we recorded an income tax expense of \$7,324,000 representing an effective tax rate of 28% on earnings before income tax of \$25,939,000. Our effective tax rate was estimated based upon a forecast of our full year results.

Liquidity and Capital Resources

The following table represents our cash and cash equivalents and short-term investments which are available for our business operations:

	September 30, 2013	December 31, 2012
	(In thousands)	
Cash and cash equivalents	\$ 36,003	\$ 58,152

We manage our cash and cash equivalents in order to fund operating requirements and preserve liquidity to take advantage of future business opportunities. Cash and cash equivalents decreased by \$22,149,000 in YTD 2013. As of September 30, 2013, the Company had approximately \$18,472,000 in cash and cash equivalent at foreign locations. If those cash and cash equivalents were needed for our operations in the U.S. in the future we would be required to accrue and pay U.S. taxes in order to repatriate these funds. Based on our current plans, we believe we have sufficient cash in the U.S. to fund our U.S. operations and our intent is to permanently reinvest these foreign amounts outside of the U.S.

Cash provided by operating activities during YTD 2013 was \$28,617,000 and was attributable to net income of \$24,202,000, net of non-cash adjustments. Non-cash adjustments included depreciation and amortization of \$23,467,000, deferred tax benefits of \$1,138,000, gains on revaluation of financial derivatives of \$2,859,000 and stock compensation of \$1,861,000.

As of September 30, 2013, working capital was \$113,354,000 compared to \$124,935,000 at December 31, 2012, a decrease of \$11,581,000, or 9%. Decreases in cash and cash equivalents and increases to accounts payable and current maturities of long-term debt of \$22,149,000, \$11,250,000 and \$4,946,000, respectively, were partially offset by increases in accounts receivable, inventory and prepaid expenses and other assets of \$19,606,000, \$8,824,000 and \$2,458,000. Account receivable increased primarily as a result of increases in product revenues and timing differences between when sales in YTD 2013 were realized compared with sales realized during the three months ended December 31, 2012 (“Fourth Quarter 2012”). Gentherm incurred proportionally more sales in the last month of Third Quarter 2013 compared with the last month of Fourth Quarter 2012 due to the year-end holiday season. Current maturities of long-term debt increased due to draws made on our US Bank of America Credit Facility to finance the purchase of outstanding shares of W.E.T. held by non-controlling interests. See General under Management’s Discussion and Analysis of Financial Condition and Results of Operations for additional information about the acquisition of W.E.T. shares. During YTD 2013, cash was used to make payments on our outstanding term notes and Series C Convertible Preferred Stock. Total payments on outstanding borrowings were \$18,966,000 and total Series C Convertible Preferred Stock payments were \$9,142,000. Working Capital also increased by changes in currency exchange rates.

Cash used in investing activities was \$77,110,000 during YTD 2013, reflecting the purchase of W.E.T. shares from non-controlling interests totaling \$46,835,000 and purchases of property and equipment totaling \$30,016,000. Purchases of property and equipment for the period are primarily related to expansion of production capacity, including equipment and leasehold improvements for the new electronics manufacturing facility in Shenzhen, China, the purchase of our world headquarters buildings, and the replacement of existing equipment.

Cash provided by financing activities was \$25,030,000 during YTD 2013, reflecting additional borrowings from our US Bank of America Credit Facility and a new loan with the German Investment Corporation (“DEG”) totaling \$48,923,000 and proceeds from the exercise of common stock options of \$2,901,000. These amounts were partially offset by repayments on our outstanding term notes and Bank of China loan and Series C Convertible Preferred stock totaling \$18,966,000 and \$9,142,000, respectively.

Series C Convertible Preferred Stock installments paid in cash during the nine month period ended September 30, 2013 are as follows (in thousands):

	Installment Payments (\$)
Dividend	\$ 696
Principal	8,446
Total	<u>\$ 9,142</u>

In March 2013, holders of the Series C Convertible Preferred Stock elected to convert 165 shares into shares of common stock at the conversion price of \$15.83 per share. The Company issued approximately 105,000 shares of common stock related to the conversion of Series C Convertible Preferred Stock.

In May 2013, holders of the Series C Convertible Preferred Stock elected to convert 650 shares into shares of common stock at the conversion price of \$15.83 per share. The Company issued approximately 418,000 shares of common stock related to the conversion of Series C Convertible Preferred Stock.

During the months of July and August 2013, holders of the Series C Convertible Preferred Stock elected to convert all unredeemed remaining shares into shares of common stock at the conversion price of \$15.83 per share. The Company issued approximately 432,000 shares of common stock related to the conversion of Series C Convertible Preferred Stock.

The Company has two outstanding credit agreements with a syndicate of banks led by Bank of America; the US Bank of America credit facility and the W.E.T. Bank of America credit facility. The US Bank of America credit facility consists of the US Term Note and Europe Term Note. These notes are subject to quarterly principal payments, with total principal amortization of 10% of the original principal amount in the first year and amortization of 12.5%, 15%, 17.5% and 20% of the original principal amount during years two, three, four and five, respectively with all remaining amounts owing under each term facility due and payable in full at the term loan maturity date. The W.E.T. Bank of America credit facility consists of the W.E.T. Term Note, which is subject to quarterly principal payments totaling 20% annually. Principal outstanding under both the US Bank of America credit facility and W.E.T. Bank of America credit facility will be due and payable in full on March 30, 2016. Interest is payable quarterly. The Company has the option to elect interest rates based on either a Eurocurrency (LIBOR or EURIBOR) rate (“Eurocurrency Rate Loans”) (0.17% – 0.45% at September 30, 2013) or a base rate (“Base Rate Loans”) plus a margin (“Applicable Rate”), which varies based on the Consolidated Leverage Ratio of the Company, as defined by the US and W.E.T. Bank of America credit agreements. The base rate is equal to the highest of the Federal Funds Rate (0.06% at September 30, 2013) plus 0.5%, Bank of America’s prime rate (3.25% at September 30, 2013), or a one month Eurocurrency rate plus 1.0%. The Applicable Rate for the current period was 2.25% for Eurocurrency Rate Loans and 1.25% for Base Rate Loans. The Company must maintain a minimum Consolidated Fixed Charge Coverage Ratio and a maximum Leverage Ratio, as defined by the Bank of America credit agreement. The loans are secured by all of the Company’s assets.

In February 2013, the Company made a \$40,441,000 draw on the existing Europe Term Note portion of the US Bank of America credit facility to finance the purchase of shares of WET held by non-controlling interests. The Europe Term Note has expired and additional draws are not available to Gentherm.

In September 2012, we borrowed CN¥20,000,000 or \$3,159,000 from Bank of China to fund a plant expansion project in China. The Bank of China loan was paid in full on September 10, 2013 with interest calculated at a fixed rate of 6.9%.

In May 2013, the Company made an initial draw of €2,000,000, or \$2,601,000, on a loan from the German Investment Corporation, a subsidiary of KfW banking group, a German government-owned development bank (“DEG Loan”), to fund the China plant expansion project. An additional draw of €2,000,000, or \$2,701,000, was made in September and the entire loan balance was

rolled into a fixed interest rate loan with an interest rate of 3% plus a Euro Swap Rate of 1.25%. The Bank of China short term financing used to complete the project was repaid from funds available under the DEG Loan. The DEG Loan is subject to semi-annual principal payments beginning March, 2015 and ending September, 2019. Under the terms of the loan, the Company must maintain a minimum Debt-to-Equity Ratio, Current Ratio and Debt Service Coverage Ratio based on the financial statements of W.E.T. Automotive Systems (China) Limited, as defined by the DEG Loan agreement. As of September 30, 2013, the entire DEG loan has been spent on the plant expansion project, which is now complete.

The Company's capital lease agreement for an enterprise resource planning system ended in May. A new lease agreement for an enterprise resource planning system commenced June, 2013 and will end May, 2015. Under the terms of the lease, the Company must maintain certain financial covenants. Ownership of the system will be transferred to the Company at the end of the agreement.

No amounts were outstanding under either the US Revolving Note or the W.E.T. Revolving Note as of September 30, 2013 and \$29,550,000 and €20,000,000 were available under each note, respectively. Gentherm also has an outstanding Letter of Credit of \$450,000 as of September 30, 2013.

As of September 30, 2013, we were in compliance with all terms as outlined in the credit agreement for each of the US Bank of America credit facility, the W.E.T. Bank of America credit facility, the DEG loan and the capital lease agreement.

The following table summarizes the Company's debt at June 30, 2013 and December 31, 2012 (in thousands).

	September 30, 2013		December 31, 2012
	Interest Rate	Principal Balance	Principal Balance
US Term Note	2.50%	\$ 25,813	\$ 29,312
Europe Term Note	2.50%	40,507	4,476
W.E.T. Term Note	2.00%	12,897	18,852
DEG Loan	4.25%	5,403	—
Capital Leases	4.20%	2,814	1,140
Bank of China		—	3,172
Total debt		87,434	56,952
Current portion		(22,164)	(17,218)
Long-term debt, less current maturities		\$ 65,270	\$ 39,734

The Company has funded its financial needs from inception primarily through net proceeds received through its initial public offering as well as other equity and debt financing activities. Based on its current operating plan, management believes cash and equivalents at September 30, 2013 along with proceeds from future revenues are sufficient to meet operating needs for the foreseeable future.

Recent Accounting Pronouncement

Hedge Accounting

In July 2013, the Financial Accounting Standards Board (FASB) issued ASU 2013-10 which permits the use of the Overnight Index Swap Rate (OIS), also referred to as the Fed Fund Effective Swap Rate as a U.S. GAAP benchmark interest rate for hedge accounting purposes under Topic 815. Currently, only the interest rates on direct Treasury obligations of the U.S. government (UST) and the London Interbank Offered Rate (LIBOR) swap rate are considered benchmark interest rates in the United States. This update also removes the restriction on using different benchmark rates for similar hedges. Including the Fed Funds Effective Swap Rate as an acceptable U.S. benchmark interest rate in addition to UST and LIBOR will provide risk managers with a more comprehensive spectrum of interest rate resets to utilize as the designated interest risk component under the hedge accounting guidance in Topic 815. The amendments of this ASU are effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013.

We do not anticipate that the adoption of this guidance will have a material effect on our consolidated balance sheet or statement of operations.

Unrecognized Tax Benefits

ASU 2013-11, issued in July 2013, requires that an unrecognized tax benefit be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. When a net operating loss, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional taxes that would result from the disallowance of a tax position, or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purposes, the unrecognized tax benefit should be presented in the financial statements as a liability. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date.

ASU 2013-11 is effective for fiscal years and interim periods beginning after December 15, 2013 and should be applied prospectively to all unrecognized tax benefits that exist at the effective date. As Gentherm already nets together an unrecognized tax benefit associated with a deferred tax asset from tax credit carryforwards, we do not anticipate an impact to our consolidated balance sheet resulting from the adoption of this guidance.

Tax Regulation

The Company is evaluating the impact of the regulations concerning amounts paid to acquire, produce, or improve tangible property and recovery of basis upon disposition. Because the revenue procedures governing the tangible property regulations will not be issued until the fourth quarter, the Company is still determining whether or not any changes in accounting method will be required and if they will result in a material impact to its financial statements. At this time, the Company does not anticipate there being a material impact.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in foreign currency exchange rates, short term interest rates and price fluctuations of certain material commodities, such as copper. Market risks for changes in interest rates relate primarily to our debt obligations under our Bank of America credit facilities. Foreign currency exchange risks are attributable to sales to foreign customers not denominated in the seller's functional currency, foreign plant operations, intercompany indebtedness and purchases from foreign suppliers and include exposures to the European Euro, Mexican Peso, Canadian Dollar, Hungarian Forint and Korean Won. Our subsidiary W.E.T. regularly enters into derivative contracts with the objective of managing its financial and operational exposure arising from this risk by offsetting gains and losses on the underlying exposures with gains and losses on the financial instruments used to hedge them. While W.E.T. continuously monitors the hedging program, derivative positions and hedging strategies and maintains documentation as to the hedging objectives, practices and procedures, W.E.T. has not typically designated its derivatives as hedging instruments for accounting purposes.

In March 2008, W.E.T. entered into a 10 year currency related interest rate swap ("CRS") having a notional value of €10,000,000 or \$13,508,000 as of September 30, 2013, in order to offset the interest rate risk associated with a debt financing which was repaid prior to our acquisition of W.E.T. Under this agreement W.E.T. receives interest equal to the then nine month Euro Interbank Offered Rate ("EURIBOR"), 0.45% at September 30, 2013, plus 1.40% and pays interest equal to the nine month EURIBOR when the exchange rate between the European Euro ("EUR") and the Swiss Franc ("CHF"), which was 1.23 at September 30, 2013, equals or exceeds 1.46 EUR to the CHF or pays interest equal to the six month EURIBOR plus a premium when this exchange rate is less than 1.46. The premium is calculated as $[(1.46 - \text{current EUR/CHF rate})/\text{current EUR/CHF rate}] \times 100$. W.E.T. has entered into offsetting derivative contracts designed to cancel out the payment due under the CRS through the end of the CRS agreement, in 2018.

In September 2011, W.E.T. brought a lawsuit against UniCredit Bank AG ("UniCredit"), a past financial advisor, stemming from the recommendation to invest in the aforementioned CRS. On March 25, 2013, the Munich District Court in Munich, Germany ruled in favor of W.E.T., asserting that UniCredit violated its duty to properly advise W.E.T. with respect to the initial negative market value for the CRS and UniCredit's inherent conflict of interest in recommending that W.E.T. invest in CRS. The Munich District Court ruled that UniCredit must (1) pay €144,000 to W.E.T. and (2) bear the costs of all future obligations under the CRS, which were €8,906,000 or \$12,030,000 as of September 30, 2013, plus additional accrued liabilities for past due payments under the CRS of approximately €4,930,000, or \$6,659,000 as of September 30, 2013. UniCredit has appealed the decision and an extension has been granted. As a result, the Company cannot be certain that any portion of the award by the Munich District Court will be realized by W.E.T. See the derivatives table below for information about our future obligations under the CRS as of September 30, 2013.

In July 2011, the Company entered into a series of interest rate swap contracts designated as cash flow hedges and an interest rate cap agreement in order to hedge the exposure to variable market interest rates on the Company's senior debt. Gains and losses reported in accumulated other comprehensive income will be reclassified to earnings once the Company's senior debt is repaid. Information on the interest rate swap contracts is as follows:

<u>Contract Type</u>	<u>Contract Term</u>	<u>(in thousands) Notional Value</u>	<u>Hedged Instruments</u>	<u>Fixed Rate</u>	<u>Variable Rate</u>	<u>Rate Cap</u>
Swap	June 30, 2014	\$ 8,000	US Term Note	1.27%	3 month LIBOR	—
Swap	June 30, 2014	\$ 8,000	US Term Note	1.27%	3 month LIBOR	—
Cap	March 31, 2016	€ 14,250	W.E.T. Term Note	—	3 month EURIBOR	2.75

The Company uses a market approach to value derivative instruments, analyzing observable benchmark rates at commonly quoted intervals for the instrument's full term. Information related to the fair values of derivative instruments in our consolidated balance sheet as of September 30, 2013 is as follows (in thousands):

	Hedge Designation	Fair Value Hierarchy	Asset Derivatives		Liability Derivatives		Net Asset/ (Liabilities)
			Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	
CRS	Not a hedge	Level 2			Current liabilities	\$ (2,476)	
					Non current liabilities	(9,553)	
Total CRS						\$ (12,029)	\$ (12,029)
Foreign currency derivatives	Not a hedge	Level 2	Current assets	\$ 3	Current liabilities	\$ (57)	\$ (54)
Foreign currency derivatives	Not a hedge	Level 2	Current assets	\$ 289			\$ 289
			Non current assets	2,403			\$ 2,403
Total foreign currency derivatives				\$ 2,695		\$ (57)	\$ 2,638
Interest rate swap derivatives	Cash flow hedge	Level 2			Current liabilities	\$ (119)	\$ (119)

Information related to the effect of derivative instruments on our consolidated income statements is as follows (in thousands):

	Location	Three Months Ended	Nine Months Ended
		September 30, 2013	September 30, 2013
Foreign currency derivatives	Revaluation of derivatives	\$ 581	\$ (694)
	Foreign currency gain (loss)	(426)	(844)
Total foreign currency derivatives		\$ 155	\$ (1,538)
CRS	Revaluation of derivatives	\$ (364)	\$ 1,895
Commodity derivatives	Revaluation of derivatives	\$ —	\$ —
Interest Rate Swap	Interest Expense	\$ 8	\$ 8
	Other Comprehensive Income	\$ 30	\$ 105

	Location	Three Months Ended	Nine Months Ended
		September 30, 2012	September 30, 2012
Foreign currency derivatives	Revaluation of derivatives	\$ (2,036)	\$ (2,514)
	Foreign currency gain (loss)	1,051	1,722
Total foreign currency derivatives		\$ (985)	\$ (792)
CRS	Revaluation of derivatives	\$ 1,045	\$ 1,315
Commodity derivatives	Revaluation of derivatives	\$ (2)	\$ 143
Interest Rate Swap	Interest Expense	\$ (12)	\$ (54)
	Other Comprehensive Income	\$ (25)	\$ (55)

We did not incur any hedge ineffectiveness during the three months ended September 30, 2013 and 2012.

Interest Rate Sensitivity

The table below provides information about the Company's debt obligations, derivative financial instruments and other financial instruments that are sensitive to changes in interest rates. For debt and capital lease obligations, the table presents principal cash flows and related weighted average interest rates by expected maturity dates. For interest rate swaps, the table presents notional amounts and weighted average interest rates by expected (contractual) maturity dates. Notional amounts are used to calculate the contractual payments to be exchanged under the contract. Weighted average variable rates are based on implied forward rates in the yield curve at the reporting date. 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), European Euros (€EUR) and Chinese Yuan Renminbi (¥CNY) as indicated in parentheses.

September 30, 2013

	Expected Maturity Date							Total	Fair Value
	2013	2014	2015	2016	2017	2018	2019		
Liabilities									
Long Term Debt:									
Fixed Rate (€EUR)	\$ 511	\$ 1,626	\$ 677	\$ —	\$ —	\$ —	\$ —	\$ 2,814	\$ 2,814
Average Interest Rate	4.20%	4.20%	4.20%	0.00%	0.00%	0.00%	0.00%	4.20%	
Fixed Rate (¥CNY)	\$ —	\$ 540	\$ 1,081	\$ 1,081	\$ 1,081	\$ 1,080	\$ 540	\$ 5,403	\$ 5,403
Average Interest Rate	0.00%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	
Variable Rate (\$USD)	\$ 3,532	\$ 15,070	\$ 16,956	\$ 34,376	\$ —	\$ —	\$ —	\$ 69,934	\$ 69,934
Average Interest Rate	2.44%	2.44%	2.44%	2.44%	0.00%	0.00%	0.00%	2.44%	
Variable Rate (€EUR)	\$ 1,522	\$ 4,555	\$ 859	\$ 2,347	\$ —	\$ —	\$ —	\$ 9,283	\$ 9,284
Average Interest Rate	2.17%	2.17%	2.17%	2.17%	0.00%	0.00%	0.00%	2.17%	
Derivative Financial Instruments:									
Interest Rate Swap (\$USD)	\$ 21	\$ 38	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 59	\$ 59
Average Interest Rate	0.27%	0.33%	0.00%	0.00%	0.00%	0.00%	0.00%	0.29%	
Interest Rate Swap (\$USD)	\$ 20	\$ 39	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 59	\$ 59
Average Interest Rate	0.36%	0.40%	0.00%	0.00%	0.00%	0.00%	0.00%	0.38%	
Interest Rate Cap (€EUR)	\$ —	\$ —	\$ —	\$ 3	\$ —	\$ —	\$ —	\$ 3	\$ 3
Average Interest Rate	0.00%	0.00%	0.00%	2.75%	0.00%	0.00%	0.00%	2.75%	

Exchange Rate Sensitivity

The table below provides information about the Company's derivative financial instruments and other financial instruments by functional currency and presents such information in U.S. dollar equivalents. The table summarizes information on instruments and transactions and are sensitive to foreign currency exchange rates, including foreign currency forward exchange agreements, €EUR denominated debt obligations. For debt obligations, the table presents principal cash flows and related weighted average interest rates by expected maturity dates. For foreign currency forward exchange agreements, the table presents the notional amounts and weighted average exchange rates by expected (contractual) maturity dates. These notional amounts generally are used to calculate the contractual payments to be exchanged under the contract.

September 30, 2013

Anticipated Transactions And Related Derivatives	Expected Maturity or Transaction Date						Total	Fair Value
	2013	2014	2015	2016	2017	Thereafter		
	(In Thousands except rate information)							
Euro functional currency								
Forward Exchange Agreements:								
(Receive EUR€/Pay USD\$)								
Total Contract Amount (€)	€ 1,082						€ 1,082	€ (28)
Average Contract Rate	1.3860	—	—	—	—	—	1.3860	
(Receive HUF/Pay EUR€)								
Total Contract Amount (€)	€ 2,378						€ 2,378	€ 37
Average Contract Rate	302.82	—	—	—	—	—	302.82	
(Receive CHF/Pay EUR€)								
Total Contract Amount (€)	€	€ 12,336	€ 12,335	€ 12,437	€ 12,302	€ 6,151	€ 55,561	€ 1,898
Average Contract Rate	—	1.20	1.20	1.20	1.20	1.20	1.20	
(Receive EUR€/Pay KRW)								
Total Contract Amount (€)	€ 2,868						€ 2,868	€ (14)
Average Contract Rate	1,464.53	—	—	—	—	—	1,464.53	
US functional currency								
Forward Exchange Agreements:								
(Receive CAD\$/Pay USD\$)								
Total Contract Amount (\$)	\$ 2,562						\$ 4,777	\$ (56)
Average Contract Rate	1.0539	—	—	—	—	—	1.0539	
(Receive MXN/Pay USD\$)								
Total Contract Amount (\$)	\$ 4,530						\$ 4,530	\$ (23)
Average Contract Rate	13.246	—	—	—	—	—	13.246	

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Our management has evaluated, with the participation of our principal executive and principal financial officers, the effectiveness of our disclosure controls and procedures and of our internal control over financial reporting, both as of September 30, 2013. Based on their evaluation, our principal executive and principal financial officers have concluded that these controls and procedures are effective as of September 30, 2013.

Disclosure controls and procedures and other procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officers, and effected by our board of directors, management and other personnel, 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 and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors, and (3) and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

(b) Changes in Internal Control over Financial Reporting

During the fiscal quarter ended September 30, 2013, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our 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 our business, however, except for the decision of the Munich District Court in favor of W.E.T. against UniCredit Bank AG as reported in our Form 10-Q for the quarter ended March 31, 2013, there is no other current material pending litigation to which we are a party and no material legal proceeding was terminated, settled or otherwise resolved during the nine months ended September 30, 2013.

ITEM 1A. RISK FACTORS

There were no material changes in our risk factors previously disclosed in Part I, Item 1A. of our Form 10-K for the year ended December 31, 2012.

ITEM 6. EXHIBITS

Exhibits to this Report are as follows:

<u>Exhibit Number</u>	<u>Description</u>
3.1	Restated Articles of Incorporation (19)
3.2	Amended and Restated Bylaws of the Company (21)
4.1	Rights Agreement dated January 26, 2009 by and between the Company and Computershare Trust Company, N.A., as Rights Agent (9)
4.2	Amendment to Rights Agreement, dated as of March 30, 2011, by and between the Company and Computershare Trust Company, N.A. (11)
10.1*	1993 Stock Option Plan (1)
10.2.1*	Amended and Restated 1997 Stock Incentive Plan (2)
10.2.2*	First Amendment to Amended and Restated 1997 Stock Incentive Plan (5)
10.2.3*	Second Amendment to Amended and Restated 1997 Stock Incentive Plan (5)
10.3.1*	2006 Equity Incentive Plan (4)
10.3.2*	Amendment to 2006 Equity Incentive Plan (6)
10.3.3*	Second Amendment to 2006 Equity Incentive Plan (7)
10.3.4*	Third Amendment to 2006 Equity Incentive Plan (10)
10.3.5*	Fourth Amendment to 2006 Equity Incentive Plan (11)
10.3.6*	Fifth Amendment to 2006 Equity Incentive Plan (16)
10.3.7*	Sixth Amendment to 2006 Equity Incentive Plan (25)
10.3.8*	2011 Equity Incentive Plan (12)
10.3.9*	First Amendment to 2011 Equity Incentive Plan (16)
10.3.10*	Second Amendment to 2011 Equity Incentive Plan (18)

<u>Exhibit Number</u>	<u>Description</u>
10.3.11*	Third Amendment to 2011 Equity Incentive Plan (25)
10.3.12*	2013 Equity Incentive Plan (24)
10.3.13*	Form of 2013 Equity Incentive Plan Stock Option Award Agreement (26)
10.3.14*	Form of 2013 Equity Incentive Plan Stock Appreciation Right Award Agreement (26)
10.3.15*	Form of 2013 Equity Incentive Plan Restricted Stock Award Agreement (26)
10.4	Revenue Sharing Agreement between BSST LLC and Dr. Lon E. Bell dated September 4, 2000 (3)
10.4.1	First Amendment to Revenue Sharing Agreement between the Company and Dr. Lon E. Bell dated December 31, 2010 (13)
10.5*	The Executive Nonqualified Defined Benefit Plan of Gentherm Incorporated effective as of April 1, 2008 (8)
10.6	Balaton Rights Agreement, dated as of February 15, 2013, by and between Deutsche Balaton AG and Gentherm Incorporated (22)
10.7.1	Credit Agreement, dated as of March 30, 2011, by and among the Company, Gentherm Europe GmbH, the financial institutions which are now or which hereafter become a party thereto and Bank of America, N.A., as Swing Line Lender and L/C Issuer, and as administrative agent for the lenders (11)
10.7.2	First Amendment to Credit Agreement, dated as of April 4, 2011, by and among the Company, Gentherm Europe GmbH, the financial institutions which are now or which hereafter become a party thereto and Bank of America, N.A., as Swing Line Lender and L/C Issuer, and as administrative agent for the lenders (15)
10.7.3	Second Amendment to Credit Agreement, dated as of August 12, 2011, by and among the Company, Gentherm Europe GmbH, the financial institutions which are now or which hereafter become a party thereto and Bank of America, N.A., as Swing Line Lender and L/C Issuer, and as administrative agent for the lenders (15)
10.7.4	Third Amendment to Credit Agreement, dated as of October 28, 2011, by and among the Company, Gentherm Europe GmbH, the financial institutions which are now or which hereafter become a party thereto and Bank of America, N.A., as Swing Line Lender and L/C Issuer, and as administrative agent for the lenders (15)
10.7.5	Fourth Amendment to Credit Agreement, dated as of March 12, 2012, by and among the Company, Amerigon Europe GmbH, the financial institutions which are now or which hereafter become a party thereto and Bank of America, N.A., as Swing Line Lender and L/C Issuer, and as administrative agent for the lenders (18)
10.7.6	Fifth Amendment to Credit Agreement, dated as of December 17, 2012, by and among the Company, Amerigon Europe GmbH, the financial institutions which are now or which hereafter become a party thereto and Bank of America, N.A., as Swing Line Lender and L/C Issuer, and as administrative agent for the lenders (20)
10.7.7	Sixth Amendment to Credit Agreement, dated as of August 12, 2013, by and among the Company, Amerigon Europe GmbH, the financial institutions which are now or which hereafter become a party thereto and Bank of America, N.A., as Swing Line Lender and L/C Issuer, and as administrative agent for the lenders (27)
10.7.8	Pledge and Security Agreement, dated as of March 30, 2011, by and among the Company, BSST LLC, ZT Plus, LLC, Gentherm Europe GmbH and Bank of America, N.A. (11)
10.7.9	Parent Guaranty, dated as of March 30, 2011, by the Company and Gentherm Europe GmbH executed in favor of Banc of America Securities Limited, in its capacity as administrative agent (11)
10.8	Credit Agreement, dated as of March 30, 2011, among W.E.T. Automotive Systems AG, W.E.T. Automotive Systems Ltd., Banc of America Securities Limited, et al. (14)
10.8.1	First Amendment to Credit Agreement, dated as of May 31, 2011, among W.E.T. Automotive Systems AG, W.E.T. Automotive Systems Ltd., Banc of America Securities Limited, et al. (15)
10.8.2	Second Amendment to Credit Agreement, dated as of October 11, 2011, among W.E.T. Automotive Systems AG, W.E.T. Automotive Systems Ltd., Banc of America Securities Limited, et al. (15)
10.8.3	Third Amendment to Credit Agreement, dated as of November 14, 2011, among W.E.T. Automotive Systems AG, W.E.T. Automotive Systems Ltd., Banc of America Securities Limited, et al. (17)

<u>Exhibit Number</u>	<u>Description</u>
10.8.4	Fourth Amendment to Credit Agreement, dated as of March 23, 2012, among W.E.T. Automotive Systems AG, W.E.T. Automotive Systems Ltd., Banc of America Securities Limited, et al. (17)
10.8.5	Fifth Amendment to Credit Agreement, dated as of December 17, 2012, among W.E.T. Automotive Systems AG, W.E.T. Automotive Systems Ltd., Banc of America Securities Limited, et al. (20)
10.9.1*	Service Agreement, dated as of July 4, 2011, between W.E.T. Automotive Systems AG and Mr. Frithjof Oldorff, which consolidates the original agreement and first and second amendments thereto (14)
10.9.2*	Third Amendment to Service Agreement between W.E.T. Automotive Systems AG and Mr. Frithjof Oldorff (23)
10.10*	Service Agreement between W.E.T. Automotive Systems AG and Mr. Thomas Liedl
10.11	Registration Rights Agreement, dated as of February 15, 2013, by and between Gentherm Incorporated and Deutsche Balaton AG (22)
31.1	Certification of Chief Executive Officer Required by Rule 13a-14(a)/15d-14(a)
31.2	Certification of Chief Financial Officer Required by Rule 13a-14(a)/15d-14(a)
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

* Indicates management contract or compensatory plan or arrangement.

- (1) Previously filed as an exhibit to the Company's Registration Statement on Form SB-2, as amended, File No. 33-61702-LA, and incorporated by reference.
- (2) Previously filed as an exhibit to the Company's Definitive Proxy Statement on Schedule 14A with respect to the Company's 2001 Annual Meeting of Stockholders and incorporated herein by reference.
- (3) Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2001 and incorporated herein by reference.
- (4) Previously filed as an exhibit to the Company's Definitive Proxy Statement on Schedule 14A with respect to the Company's 2006 Annual Meeting of Stockholders and incorporated herein by reference.
- (5) Previously filed as an exhibit to the Company's Current Report on Form 8-K filed May 23, 2005 and incorporated herein by reference.
- (6) Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the period ended December 31, 2006 and incorporated herein by reference.
- (7) Previously filed as an exhibit to the Company's Current Report on Form 8-K filed March 20, 2007 and incorporated herein by reference.
- (8) Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q filed August 11, 2008 and incorporated herein by reference.
- (9) Previously filed as an exhibit to the Company's Current Report on Form 8-K filed January 27, 2009 and incorporated herein by reference.
- (10) Previously filed as an exhibit to the Company's Definitive Proxy Statement on Schedule 14A with respect to the Company's 2009 Annual Meeting of Stockholders and incorporated herein by reference.
- (11) Previously filed as an exhibit to the Company's Current Report on Form 8 filed on March 31, 2011 and incorporated herein by reference.
- (12) Previously filed as an exhibit to the Company's Definitive Proxy Statement on Schedule 14A with respect to the Company's 2011 Annual Meeting of Stockholders and incorporated herein by reference.

- (13) Previously filed as an exhibit to the Company's Annual Report on Form 10-K filed February 17, 2011 and incorporated herein by reference.
- (14) Previously filed as an exhibit to the Company's Current Report on Form 8-K filed August 4, 2011 and incorporated herein by reference.
- (15) Previously filed as an exhibit to the Company's Current Report on Form 8-K filed November 1, 2011 and incorporated herein by reference.
- (16) Previously filed as an exhibit to the Company's Annual Report on Form 10-K filed March 15, 2012 and incorporated herein by reference.
- (17) Previously filed as an exhibit to the Company's Current Report on Form 8-K filed April 4, 2012 and incorporated herein by reference.
- (18) Previously filed as an exhibit to the Company's Current Report on Form 8-K filed May 11, 2012 and incorporated herein by reference.
- (19) Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q filed November 5, 2012 and incorporated herein by reference.
- (20) Previously filed as an exhibit to the Company's Current Report on Form 8-K filed December 21, 2012 and incorporated herein by reference.
- (21) Previously filed as an exhibit to the Company's Current Report on Form 8-K filed January 2, 2013 and incorporated herein by reference.
- (22) Previously filed as an exhibit to the Company's Current Report on Form 8-K filed February 21, 2013 and incorporated herein by reference.
- (23) Previously filed as an exhibit to the Company's Annual Report on Form 10-K filed March 15, 2013 and incorporated herein by reference.
- (24) Previously filed as an exhibit to the Company's Definitive Proxy Statement on Schedule 14A with respect to the Company's 2013 Annual Meeting of Stockholders and incorporated herein by reference.
- (25) Previously filed as an exhibit to the Company's Current Report on Form 8-K filed May 20, 2013 and incorporated herein by reference.
- (26) Previously filed as an exhibit to the Company's Current Report on Form 8-K filed June 27, 2013 and incorporated herein by reference.
- (27) Previously filed as an exhibit to the Company's Current Report on Form 8-K filed August 14, 2013 and incorporated herein by reference.

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
(Registrant)

/s/ DANIEL R. COKER

Daniel R. Coker
Chief Executive Officer
(Duly Authorized Officer)

Date: November 5, 2013

/s/ BARRY G. STEELE

Barry G. Steele
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Date: November 5, 2013

Dienstvertrag

zwischen

der **W.E.T. Automotive Systems Aktiengesellschaft**,
 Rudolf-Diesel-Str. 12, 85235 Odelzhausen
 - vertreten durch den Aufsichtsrat,
 dieser wiederum vertreten durch
 den Aufsichtsratsvorsitzenden,
 Herrn Dr. Franz Scherer -
 (nachfolgend die „**Gesellschaft**“),

und

Herrn **Thomas Liedl**,
 An der Schießstätte 13, 86316 Friedberg
 („**TL**“, gemeinsam mit der Gesellschaft
 die „**Parteien**“).

I.
Präambel

1. Die Parteien haben am 1. August 2008 einen Dienstvertrag geschlossen (der „**Dienstvertrag**“), der durch Nachträge vom 5. März 2010 („**Erster Nachtrag**“) und 4. Juli 2011 („**Zweiter Nachtrag**“) geändert und ergänzt wurde.

Service Agreement

between

W.E.T. Automotive Systems Aktiengesellschaft,
 Rudolf-Diesel-Str. 12, 85235 Odelzhausen, Germany
 - represented by the supervisory board,
 the latter represented by its chairman,
 Dr. Franz Scherer -
 (hereinafter referred to as the „**Company**“),

and

Mr. **Thomas Liedl**,
 An der Schießstätte 13, 86316 Friedberg, Germany
 („**TL**“, together with the Company
 the „**Parties**“).

I.
Preamble

1. The Parties have entered into, on 1 August 2008, a service agreement (the „**Service Agreement**“), which was amended and supplemented by amendments dated 5 March 2010 („**First Amendment**“) and 4 July 2011 („**Second Amendment**“).

2. An der Gesellschaft ist derzeit die Gentherm Europe GmbH mit Sitz in Augsburg, eingetragen im Handelsregister des Amtsgerichts Augsburg unter HRB 25596 (nachfolgend „**Gentherm Europe**“), mit rund 99,49 % des Grundkapitals beteiligt. Die Hauptversammlung der Gesellschaft vom 28. August 2013 hat beschlossen, dass die Aktien der übrigen Aktionäre (Minderheitsaktionäre) der Gesellschaft gemäß dem Verfahren zum Ausschluss von Minderheitsaktionären nach §§ 327a ff. AktG gegen Gewährung einer von der Gentherm Europe als Hauptaktionär zu zahlenden angemessenen Barabfindung in Höhe von EUR 90,05 je auf den Inhaber lautender Stückaktie der Gesellschaft mit einem rechnerischen Anteil am Grundkapital von je EUR 3,00 auf Gentherm Europe als Hauptaktionär übertragen werden (nachfolgend der „**Übertragungsbeschluss**“).
3. Es ist beabsichtigt, den Übertragungsbeschluss alsbald zur Eintragung in das für die Gesellschaft zuständige Handelsregister des Amtsgerichts München anzumelden. Mit der Eintragung des Übertragungsbeschlusses gehen alle Aktien der Minderheitsaktionäre auf Gentherm Europe als Hauptaktionär über. Es ist ferner beabsichtigt, alsbald nach der Eintragung des Übertragungsbeschlusses und dem damit verbundenen Übergang der Aktien der Minderheitsaktionäre auf Gentherm Europe die Gesellschaft im Wege einer Umwandlung gemäß § 1 Abs. 1 UmwG (sei es im Wege der Verschmelzung oder eines Rechtsformwechsels oder einer Kombination mehrerer Umwandlungsformen) in eine GmbH umzuwandeln (nachfolgend die „**Umwandlung**“ und der Zeitpunkt der Wirksamkeit der Umwandlung aufgrund Eintragung im zuständigen Handelsregister nachfolgend der „**Umwandlungszeitpunkt**“).
2. Gentherm Europe GmbH with its seat in Augsburg, Germany, registered with the commercial register at the local court of Augsburg under HRB 25596 (hereinafter “**Gentherm Europe**”), currently holds approximately 99.49 % of the nominal share capital of the Company. The shareholders’ meeting of the Company of 28 August 2013 has resolved that the shares of the remaining shareholders (minority shareholders) of the Company are transferred to Gentherm Europe as main shareholder pursuant to the procedure regarding the expulsion of minority shareholders according to Sections 327a *et seq.* of the German Stock Corporation Act (*Aktiengesetz*, “**AktG**”) against payment of an appropriate cash consideration by Gentherm Europe as main shareholder in the amount of EUR 90.05 per bearer share of the Company without par value, representing a proportionate amount of the nominal share capital of EUR 3.00 (hereinafter the “**Transfer Resolution**”).
3. It is intended to file an application for registration of the Transfer Resolution with the commercial register at the local court of Munich, which is competent for the Company, in due course. Upon registration of the Transfer Resolution all shares held by the minority shareholders are transferred to Gentherm Europe as main shareholder. It is further intended to transform the Company, shortly after the registration of the Transfer Resolution and the transfer of the shares of the minority shareholders to Gentherm Europe connected therewith, by way of a transformation according to Section 1 of the German Transformation Act (*Umwandlungsgesetz*, “**UmwG**”), be it by way of a statutory merger, a change of the legal form or a combination of various transformation measures, into a German Limited Liability Company (*Gesellschaft mit beschränkter Haftung, GmbH*) (hereinafter the “**Transformation**” and the effective date of the Transformation due to registration with the competent commercial register the “**Transformation Registration Date**”).

4. TL wurde durch Beschluss des Aufsichtsrats vom 18. Oktober 2010 für die Zeit vom 1. Oktober 2011 bis zum 30. September 2014 zum Mitglied des Vorstands bestellt. TL soll bis zum Umwandlungszeitpunkt oder bis zu einer anderweitigen Beendigung seiner Tätigkeit für die Gesellschaft, je nachdem, welches Ereignis früher eintritt, weiterhin Mitglied des Vorstands der Gesellschaft bleiben. Mit dem Abschluss dieser Vereinbarung (die „**Vereinbarung**“) soll der Dienstvertrag in der Fassung des Ersten und des Zweiten Nachtrags weiter ergänzt und – aus Gründen der Übersichtlichkeit – in eine konsolidierte Fassung zusammengeführt werden. Hiernach soll diese Vereinbarung die einzige bindende Vereinbarung zwischen den Parteien im Hinblick auf die Tätigkeit von TL als Mitglied des Vorstands der Gesellschaft sein.

5. Ab dem Umwandlungszeitpunkt soll für TL anstelle der vorliegenden Vereinbarung der dieser Vereinbarung als **Anlage 1** beigefügte Anstellungsvertrag für die Tätigkeit von TL als Geschäftsführer der – auf welche Weise auch immer – im Wege der Umwandlung entstehenden GmbH gelten (nachfolgend der „**Anstellungsvertrag**“). Die Parteien verpflichten sich, vorbehaltlich der erforderlichen Zustimmung der jeweiligen Gremien, TL zum Geschäftsführer der GmbH zu ernennen und mit TL den dieser Vereinbarung als **Anlage 1** beigefügten Anstellungsvertrag zu schließen.

Dies vorausgeschickt, vereinbaren die Parteien hiermit was folgt:

II.

§ 1 Position / Vertretung

1. TL ist Mitglied des Vorstands und vertritt die Gesellschaft nach Maßgabe des Gesetzes, der Vorschriften des Gesellschaftsvertrages (Satzung) und den Beschlüssen des Aufsichtsrats. Der Aufsichtsrat kann entscheiden, ob Einzel- oder Gesamtvertretungsbefugnis erteilt wird. Der Aufsichtsrat ist berechtigt, eine Geschäftsordnung für den Vorstand zu erlassen, in der unter anderem Geschäftsbereiche, Aufgaben und Verantwortungen der einzelnen Vorstandsmitglieder abgegrenzt werden.

4. By resolution of the supervisory board dated 18 October 2010, TL was appointed member of the management board for the time from 1 October 2011 until 30 September 2014. TL shall remain a member of the management board of the Company until the Transformation Registration Date or until such other date upon which his services for the Company terminate, whichever event occurs first. By the conclusion of this agreement (the “**Agreement**”) the Service Agreement, as amended by the First and Second Amendment, shall be further amended and – for clarity reasons – be merged into one consolidated version. Hereafter, this Agreement shall be the only binding agreement between the Parties with regard to the functions of TL as member of the management board of the Company.

5. Starting from the Transformation Registration Date, the service agreement which is attached to this Agreement as **Annex 1**, instead of the Agreement at hand, shall govern the functions of TL as managing director of the Limited Liability Company which comes into existence – in whichever manner – by way of the Transformation (hereinafter the “**Service Agreement**”). The Parties undertake, subject to the necessary approval by the respective competent corporate bodies, to appoint TL as managing director of the Limited Liability Company and to conclude with TL the Service Agreement which is attached to this Agreement as **Annex 1**.

NOW, THEREFORE, the Parties hereby agree as follows:

II.

§ 1 Position / Representation

1. TL is a member of the management board and represents the Company in accordance with the laws, the provisions of the articles of association and the resolutions of the supervisory board. The supervisory board may grant sole power or joint power of representation. The supervisory board is entitled to enact internal rules of procedure for the management board, defining, *inter alia*, the business areas, tasks and responsibilities of each member of the management board.

2. Der Vorstand bedarf der Zustimmung zu den Geschäften, die die jeweilige Satzung oder der Aufsichtsrat, sofern aktienrechtlich und satzungsgemäß zulässig, für zustimmungsbedürftig erklären. Bei unterschiedlichen Regelungen in der Satzung oder in Aufsichtsratsbeschlüssen gilt vorrangig die für den Vorstand restriktivere Regelung.
3. Sofern Einzelvertretungsbefugnis erteilt ist, ist sie im Innenverhältnis dahingehend beschränkt, dass eine Zweitunterschrift und damit die Zustimmung eines anderen Vorstandsmitglieds benötigt wird für alle Geschäfte, die nach der Geschäftsordnung des Vorstands der vorherigen Zustimmung des Aufsichtsrats bedürfen.

§ 2 Vergütung

1. TL erhält mit Wirkung ab dem 1. Oktober 2013 ein jährliches Bruttogehalt von EUR 310.000,00 („**Grundgehalt**“), zahlbar in zwölf gleichen Raten jeweils am Ende eines Monats. Soweit die Tätigkeit von TL in einem Vertragsjahr unterjährig beginnt oder endet, ist das Grundgehalt zeitanteilig geschuldet. Mit der Vergütung sind sämtliche Überstunden abgegolten.
2. Zusätzlich zum Grundgehalt erhält TL eine jährliche erfolgsabhängige Tantieme, die sich nach Maßgabe der in **Anlage 2.2** vorgesehenen Regelung errechnet (nachfolgend auch die „**Tantieme**“). Die Tantieme wird an TL letztmalig für das Geschäftsjahr der Gesellschaft vom 1. Januar 2013 bis zum 31. Dezember 2013 (Geschäftsjahr 2013) gezahlt. Ab dem 1. Januar 2014 soll TL am „**Gentherm Bonus Plan**“ teilnehmen (§ 2 Abs. 4 dieser Vereinbarung).

2. The management board requires the approval for such actions which the respective articles of association or the supervisory board, to the extent permissible under stock corporation law and the articles of association, declare as being subject to approval. In case of contradictory provisions in the articles of association or in resolutions of the supervisory board, such regulation shall be applicable which is more restrictive for the management board.
3. In case sole power of representation is granted it is limited internally in such way that a second signature and, therefore, the approval of a further member of the management board is required for all actions which require, pursuant to the internal rules of procedure of the management board, the prior approval of the supervisory board.

§ 2 Remuneration

1. With effect as of 1 October 2013, TL is entitled to an annual gross salary in the amount of EUR 310,000.00 (“**Base Salary**”), payable in twelve monthly arrears at the end of each calendar month. To the extent the functions of TL start or end during a contract year, the Base Salary is owed *pro rata temporis*. The remuneration includes all overtime.
2. In addition to the Base Salary, TL is entitled to an annual performance-based management bonus which is calculated in accordance with the provisions set forth in **Annex 2.2** (hereinafter also referred to as the “**Management Bonus**”). The Management Bonus will be paid to TL for the last time for the business year of the Company from 1 January 2013 until 31 December 2013 (business year 2013). Starting from 1 January 2014, TL shall participate in the “**Gentherm Bonus Plan**” (Section 2 para. 4 of this Agreement).

3. Vorbehaltlich der Regelungen in § 2 Abs. 2 in Verbindung mit **Anlage 2.2** ist die Tantieme in dem Monat, in dem der Jahresabschluss festgestellt wird, abzurechnen und ist dann auch fällig. Die Tantieme für das Geschäftsjahr 2013 (1. Januar 2013 bis 31. Dezember 2013) ist spätestens bis zum 30. April 2014 oder, sofern von den Parteien abweichend vereinbart, zu einem früheren Zeitpunkt abzurechnen und zur Zahlung fällig, einschließlich aller sonstigen Beträge, die zugunsten von TL auf der Bonus-Bank geführt werden.
4. Ab dem 1. Januar 2014 soll TL am Gentherm Bonus Plan teilnehmen; eine Tantieme gemäß § 2 Abs. 2 in Verbindung mit **Anlage 2.2** wird ab diesem Zeitpunkt nicht mehr gezahlt.
 - a. Als Teilnehmer des Gentherm Bonus Plans soll TL jährlich einen erfolgsabhängigen Bonus erhalten (nachfolgend der „**Gentherm-Bonus**“). Die Zielgröße für den Gentherm-Bonus ist jeweils 50 % des Grundgehalts von TL gemäß § 2 Abs. 1 dieser Vereinbarung (nachfolgend das „**Bonus-Ziel**“).
 - b. Im Hinblick auf die Bestimmung des Gentherm-Bonusses sollen der Chief Executive Officer der Gentherm, Inc. und TL zweimal jährlich jeweils im Einvernehmen bestimmte Ziele für das kommende Halbjahr des jeweiligen Geschäftsjahres festlegen (Januar bis Juni und Juli bis Dezember); die Ziele sollen sodann durch das „**Gentherm Compensation Committee**“ gebilligt werden (nachfolgend die „**Gentherm-Bonus-Ziele**“).
3. Subject to the provisions in Section 2 para. 2 in conjunction with **Annex 2.2**, the Management Bonus shall be calculated and is due for payment in the month in which the annual financial statements are approved. The Management Bonus for the business year 2013 (1 January 2013 until 31 December 2013) is at the latest to be calculated and due for payment until 30 April 2014, together with all other amounts which are credited in favour of TL with the Bonus Bank, or at an earlier point in time, as mutually agreed upon by the Parties.
4. Starting from 1 January 2014, TL shall participate in the Gentherm Bonus Plan; no further Management Bonus according to Section 2 para. 2 in conjunction with **Annex 2.2** will be paid starting from this point in time.
 - a. In his capacity as participant of the Gentherm Bonus Plan TL shall be entitled to an annual performance-based bonus (hereinafter the „**Gentherm Bonus**“). The target amount for the Gentherm Bonus is in each case 50 % of the Base Salary of TL pursuant to Section 2 para. 1 of this Agreement (hereinafter the „**Bonus Target**“).
 - b. With regard to the determination of the Gentherm Bonus the Chief Executive Officer of Gentherm, Inc. and TL shall establish mutually, twice a year, certain objectives for the upcoming half-year of the respective business year (January until June and July until December); the objectives shall be approved by the „**Gentherm Compensation Committee**“ (hereinafter the „**Gentherm Bonus Objectives**“).

- c. Die Höhe des Gentherm-Bonusses soll zweimal jährlich vom Gentherm Compensation Committee im Namen des Gentherm Board of Directors jeweils für das vorangegangene Halbjahr des Geschäftsjahres nach eigenem Ermessen unter Berücksichtigung des Ergebnisses und der wirtschaftlichen Lage der Gesellschaft sowie der individuellen Leistungen von TL festgesetzt werden, letztere insbesondere in Abhängigkeit vom Grad der Erreichung der Gentherm-Bonus-Ziele.
- d. Die Auszahlung des Gentherm-Bonusses, jeweils für das vorangegangene Halbjahr des Geschäftsjahres, soll spätestens innerhalb von 30 Tagen erfolgen, nachdem das Gentherm Board of Directors die jeweiligen Halbjahresergebnisse gebilligt hat, also regelmäßig im August für das erste Halbjahr des Geschäftsjahres (Januar bis Juni) und im Februar für das zweite Halbjahr des (vorangegangenen) Geschäftsjahres (Juli bis Dezember). Ungeachtet der Billigung der Halbjahresergebnisse durch das Gentherm Board of Directors soll die Bestimmung der Höhe des Gentherm-Bonusses durch das Gentherm Compensation Committee gemäß vorstehender lit. c. erfolgen; die Zielgröße für den Gentherm-Bonus ist 50 % des Grundgehalts von TL gemäß § 2 Abs. 1 dieser Vereinbarung, der Gentherm-Bonus kann aber auch darüber oder darunter liegen. Das Gentherm Compensation Committee soll den Gentherm Bonus Plan zu jeder Zeit nach seinem eigenen Ermessen abändern oder beenden können.

§ 3

Gehaltsfortzahlung bei Krankheit

Wird TL an der Ausübung seiner Tätigkeit durch Krankheit oder andere durch ihn nicht verschuldete Gründe verhindert, so erhält er für die Dauer von sechs Monaten, längstens jedoch bis zur Beendigung dieses Vertrages, sein zeitanteiliges Grundgehalt gemäß § 2 Abs. 1 sowie die zeitanteilige Tantieme gemäß § 2 Abs. 2 weiter (nachfolgend die „**Gehaltsfortzahlung**“). Etwaige Zahlungen, die TL in einem solchen Fall von einer Versicherung erhält, etwa Krankentage- oder Pflegegeld, werden auf die Gehaltsfortzahlung angerechnet.

- c. The amount of the Gentherm Bonus shall be established twice a year by the Gentherm Compensation Committee on behalf of the Gentherm Board of Directors for the respective preceding half-year of the business year at its sole discretion under consideration of the results and the economic situation of the Company as well as the individual performance of TL, the latter in particular depending from the degree of achievement of the Gentherm Bonus Objectives.
- d. Payout of the Gentherm Bonus, in each case for the preceding half-year of the respective business year, shall be made at the latest within 30 days after the Gentherm Board of Directors has approved the respective half-year results, *i.e.* regularly in August for the first half-year of the business year (January until June) and in February for the second half-year of the (preceding) business year (July until December). Notwithstanding the approval of the half-year results of the business year by the Gentherm Board of Directors, the determination of the amount of the Gentherm Bonus shall be made by the Gentherm Compensation Committee in accordance with the preceding lit. c.; the target amount for the Gentherm Bonus is 50 % of the Base Salary of TL pursuant to Section 2 para. 1 of this Agreement, but may also be below or above. The Gentherm Compensation Committee shall have discretion to modify or terminate the Gentherm Bonus Plan at any time in its sole discretion.

§ 3

Continued Payment in Case of Sickness

In case TL cannot fulfil his duties due to sickness or other reasons for which he is not responsible, he is entitled to a *pro rata temporis* payment of his Base Salary pursuant to Section 2 para. 1 and the Management Bonus pursuant to Section 2 para. 2 for a period of six months, at the longest, however, until the termination of this agreement (hereinafter the “**Continued Payment**”). Any payments which TL receives in such case from the side of an insurance, *e.g.* sickness daily or care allowances, are to be set off against the Continued Payment.

§ 4
Dienstwagen / Reisekosten

1. Die Gesellschaft stellt TL einen Dienstwagen zur Verfügung, der auch privat genutzt werden kann. Die private Nutzung ist von TL gemäß den jeweils gültigen deutschen steuerlichen Vorschriften als geldwerter Vorteil zu versteuern. Der Anschaffungswert ist auf EUR 80.000,00 vor MwSt. begrenzt. Die Marke und das Modell des Dienstwagens sollen zuvor vom „**Gentherm Fleet Manager**“ genehmigt werden.
2. Die Gesellschaft erstattet TL belegte Reisekosten und Bewirtungsauslagen entsprechend den jeweils gültigen Festlegungen der Gesellschaft und den jeweils gültigen deutschen steuerrechtlichen Richtlinien.

§ 5
Urlaub

TL hat Anspruch auf einen angemessenen Jahresurlaub (d.h. nicht mehr als 30 Arbeitstage pro Kalenderjahr), dessen Zeitpunkt und Dauer er selbst festlegt. Seinen Urlaub hat TL so zu disponieren, dass die Interessen der Gesellschaft gewahrt bleiben, und im Übrigen vorab mit dem Chief Executive Officer der Gentherm, Inc. und den übrigen Mitgliedern des Vorstands der Gesellschaft abzustimmen.

§ 4
Company Car / Travel Expenses

1. The Company shall make available to TL a company car which may also be used for private purposes. The private use is taxable by TL as financial benefit (*geldwerter Vorteil*) according to applicable German tax law, as amended from time to time. The acquisition value is limited to EUR 80,000.00 (excluding VAT). The make and the model of the company car shall be approved beforehand by the “**Gentherm Fleet Manager**”.
2. The Company reimburses to TL travel and hospitality expenses upon presentation of receipts in accordance with the rules of the Company and the applicable German taxation guidelines, as amended from time to time.

§ 5
Vacation

TL is entitled to an appropriate annual vacation (i.e. not to exceed 30 working days per calendar year), the point of time and the duration of which are determined by himself. TL shall determine his vacation in such way that the interests of the Company are respected and is subject to prior coordination with the Chief Executive Officer of Gentherm, Inc. and the other members of the management board of the Company.

§ 6
Sonstige Leistungen

1. Die Gesellschaft erstattet TL, wenn und soweit er von der Versicherungspflicht befreit ist, jeweils 50 % der Höchstbeiträge zur gesetzlichen Rentenversicherung, Krankenversicherung, Pflegeversicherung und Arbeitslosenversicherung. Bei Inanspruchnahme einer privaten Krankenversicherung und privater Pflegeversicherung erstattet die Gesellschaft die monatlichen Beiträge.
2. Die Gesellschaft schließt für TL im Rahmen einer Gruppenunfallversicherung eine Unfall- und Invaliditätsversicherung ab. Der Versicherungsschutz im Rahmen dieser Versicherung umfasst alle beruflichen und außerberuflichen Unfälle. Die Versicherungssumme ist auf EUR 1.000.000,00 bei Tod und auf EUR 2.000.000,00 bei Invalidität abgeschlossen. Der Versicherungsschutz erlischt, sobald TL aus dem Dienstverhältnis mit der Gesellschaft ausscheidet. Die Versicherungsprämien trägt die Gesellschaft.
3. Eine Altersversorgungszusage besteht nicht. Auf Wunsch wird die Möglichkeit einer Versorgungszusage mittels Entgeltumwandlung in folgenden Durchführungsarten, jedoch unter Bedingung der Kostenneutralität für die Gesellschaft, gewährt:
 - i Direktversicherung (nach § 40b EStG pauschal besteuert);
 - i weiterer mittelbarer Durchführungsweg mit steuerlicher Behandlung (gemäß § 3 Nr. 63 EStG);
 - i kongruent rückgedeckte Unterstützungskasse (beitragsorientierte Leistungszusage);
 - i Direktzusage mittels Gehaltsverzicht (mit direkter Rückdeckung gegen jeweils einmaligen Betrag) als beitragsorientierte Leistungszusage.

§ 6
Additional Services

1. If and to the extent TL is not subject to the statutory insurance obligation, the Company reimburses to TL 50 % of the maximum contributions to each of the statutory pension, health, long-term care and unemployment insurance. If TL engages in a private health and long-term care insurance, the Company reimburses to TL the monthly contributions.
2. The Company shall conclude an accident and invalidity insurance for the benefit of TL as part of a group accident insurance. The insurance protection within this insurance covers all business and non-business related accidents. The insurance sum is EUR 1,000,000.00 in case of death and EUR 2,000,000.00 in case of invalidity. The insurance protection ends as soon as the services of TL for the Company are terminated. The insurance premiums are borne by the Company.
3. There are no pension commitments. If requested, the possibility of a pension commitment by conversion of the remuneration in the following ways will be granted, however, on the condition of cost-neutrality for the Company:
 - i direct insurance (lump-sum taxed pursuant to Section 40b of the German Income Tax Act (*Einkommensteuergesetz*, "**EStG**"));
 - i further indirect execution with tax treatment (pursuant to Section 3 no. 63 EStG);
 - i congruently reinsured support funds (benefit promise according to contributions);
 - i direct promise by means of salary waiver (with direct reinsurance against one-time payment) as benefit promise according to contributions.

4. Die bestehende D&O-Versicherung der Gesellschaft wurde per 30. Juni 2010 an die Erfordernisse des AktG angepasst (Selbstbehalt des Vorstandsmitglieds).

**§ 7
Nebentätigkeit**

1. TL verpflichtet sich, seine ganze Arbeitskraft in den Dienst der Gesellschaft zu stellen und die Interessen der Gesellschaft nach besten Kräften zu fördern. Soweit das Wohl der Gesellschaft es erfordert, wird TL der Gesellschaft jederzeit auch über die betriebsübliche Arbeitszeit hinaus zur Verfügung stehen.
2. Jede weitere entgeltliche oder unentgeltliche Beschäftigung und / oder unmittelbare oder mittelbare Beteiligung an anderen Unternehmen jeder Art bedarf der vorherigen schriftlichen Zustimmung des Aufsichtsrats. Dies gilt nicht für den üblichen Erwerb von Aktien oder sonstigen Geschäftsanteilen zu Investitionszwecken. Die Mitgliedschaft in Vertretungsgremien oder in Aufsichtsgremien anderer Gesellschaften ist dem Aufsichtsrat schriftlich anzuzeigen.

**§ 8
Dienstleistungen**

1. Für Erfindungen und qualifizierte technische Verbesserungsvorschläge gelten die Regelungen des Gesetzes über Arbeitnehmererfindungen in seiner jeweils gültigen Fassung entsprechend.
2. Die Parteien sind sich darüber einig, dass eine etwaige Vergütung für eine von der Gesellschaft in Anspruch genommene Dienstleistung mit der Zahlung des Grundgehalts gemäß obigem § 2 Abs. 1 vollständig abgegolten ist.

4. The existing D&O insurance of the Company was adapted to the requirements of the AktG as of 30 June 2010 (deductible of the member of the management board).

**§ 7
Secondary Occupations**

1. TL undertakes to devote his entire working capacity to the service of the Company and to make best efforts to promote the interests of the Company. To the extent required for the benefit of the Company, TL will be available for the Company at any time, also in extension of the customary working time.
2. Any other occupation, against payment or nonpaid, and / or any direct or indirect participation in other companies of any kind require the prior written consent of the supervisory board. This does not apply for the customary acquisition of stock or other shares for investment purposes. The supervisory board has to be informed in writing about memberships in other companies' administrative or supervisory bodies.

**§ 8
Service Inventions**

1. With regard to inventions and qualified technical improvement proposals the provisions of the German Employee Inventions Act (*Gesetz über Arbeitnehmererfindungen*), as amended from time to time, shall apply *mutatis mutandis*.
2. The Parties agree that any possible remuneration for an invention called upon by the Company is fully compensated by the payment of the Base Salary pursuant to Section 2 para. 1 above.

§ 9
Geheimhaltung /
Rückgabe von Unterlagen

1. TL ist verpflichtet, insbesondere auch während der Zeit nach Beendigung dieser Vereinbarung, alle vertraulichen Informationen über das Geschäft, die Vertragsbeziehungen, Abschlüsse, Geschäfte oder besonderen Angelegenheiten der Gesellschaft oder von verbundenen Unternehmen geheim zu halten und diese Informationen nicht für seinen eigenen oder den Nutzen anderer zu verwenden. „**Vertraulich**“ in diesem Sinne sind insbesondere die in vorstehendem § 8 bezeichneten Erfindungen, Urheberrechte sowie das Know-how.
2. Während des Dienstverhältnisses wird TL auf Verlangen der Gesellschaft, spätestens aber bei Beendigung des Dienstverhältnisses unaufgefordert, der Gesellschaft alle in seinem Besitz befindlichen oder seinem Zugriff unterliegenden Akten und sonstigen den Geschäftsbetrieb der Gesellschaft oder verbundener Unternehmen betreffende Unterlagen – insbesondere alle Pläne, Kunden, Preislisten, Druckmaterial, Urkunden, Zeichnungen, Notizen, Entwürfe – sowie Kopien davon zurückgeben, ohne Rücksicht darauf, ob er sie von der Gesellschaft selbst oder von verbundenen Unternehmen erhalten hat. Sinngemäß gilt das Gleiche für nicht körperliche Informationen und Materialien, etwa Computerprogramme oder auf Datenträgern gespeicherte Informationen.

§ 9
Confidentiality /
Return of Documents

1. TL is obliged, in particular also after the termination of this Agreement, to keep confidential all confidential information regarding the business, the contractual relationships, agreements, business affairs or special matters of the Company or of affiliated companies and to use this information not for his own benefit or for the benefit of third parties. “**Confidential**” in this sense are in particular the inventions as mentioned in Section 8 above, copyrights as well as the know-how.
2. TL shall return, during the term of his services on the Company's request, at the latest, however, upon termination of his services without request by the Company being necessary, all files and further documents related to the Company's business or the business of affiliated companies – in particular all plans, clients, price lists, print material, deeds, drawings, notes, drafts – as well as copies thereof which are in his possession or which he has access to, regardless of whether he has received them from the Company or an affiliated company. The same shall apply *mutatis mutandis* to all non-physical information and materials, e.g. computer software and information saved on storage mediums.

**§ 10
Laufzeit**

1. Diese Vereinbarung wird mit Wirkung zum 30. September 2013 geschlossen und endet im Umwandlungszeitpunkt, spätestens jedoch am 30. September 2014. Sie tritt an die Stelle des (bisherigen) Dienstvertrags in der Fassung des Ersten Nachtrags und des Zweiten Nachtrags. Sämtliche bisherigen Vereinbarungen zwischen den Parteien im Hinblick auf die Tätigkeit von TL als Mitglied des Vorstands der Gesellschaft werden hiermit ausdrücklich aufgehoben.
2. Das Recht zur außerordentlichen Kündigung dieser Vereinbarung aus wichtigem Grund durch beide Seiten bleibt unberührt.
3. Die Gesellschaft ist berechtigt, TL während der Laufzeit dieser Vereinbarung jederzeit von seiner Tätigkeit für die Gesellschaft freizustellen. Dies gilt insbesondere im Fall eines Widerrufs der Bestellung von TL als Vorstandsmitglied.

**§ 11
Verschiedenes**

1. Änderungen und / oder Ergänzungen dieser Vereinbarung, einschließlich dieses Schriftformerfordernisses, bedürfen zu ihrer Wirksamkeit der Schriftform. Dies gilt auch für die Aufhebung dieser Klausel.
2. Sollten einzelne Bestimmungen dieser Vereinbarung unwirksam sein oder werden, so berührt dies die Gültigkeit der übrigen Bestimmungen nicht. Anstelle der unwirksamen Bestimmung soll eine angemessene Regelung gelten, die dem am nächsten kommt, was die Parteien nach ihrer wirtschaftlichen Zwecksetzung gewollt haben. Das gleiche gilt im Falle einer vertraglichen Lücke.

**§ 10
Term**

1. This Agreement is entered into as of 30 September 2013 and ends with the Transformation Registration Date, at the latest, however, on 30 September 2014. It replaces the (hitherto existing) Service Agreement, as amended by the First and Second Amendment. All hitherto existing agreements between the Parties with regard to the functions of TL as member of the management board of the Company are hereby expressly cancelled.
2. The right of both Parties to terminate this Agreement for good cause remains unaffected.
3. The Company is entitled to release TL from his services for the Company at any time during the term of this Agreement. This applies in particular in case of a revocation of the appointment of TL as member of the management board.

**§ 11
Miscellaneous**

1. Amendments and / or supplements to this Agreement, including this written form requirement, must be made in writing in order to be effective. This does also apply to the cancellation of this clause.
2. In case individual provisions of this Agreement are or become invalid, this shall not affect the validity of the remaining provisions. The invalid provision shall be replaced by an adequate provision which comes closest to the economic intentions of the Parties. The same shall apply in case of a gap in this Agreement.

3. Diese Vereinbarung unterliegt dem Recht der Bundesrepublik Deutschland. Gerichtsstand für alle sich aus oder in Zusammenhang mit dieser Vereinbarung ergebenden Streitigkeiten ist, soweit gesetzlich zulässig, München.

4. Die deutsche Fassung dieser Vereinbarung ist maßgeblich.

3. This Agreement is subject to the laws of the Federal Republic of Germany. Place of jurisdiction for all disputes arising out of or in connection with this Agreement is, as far as legally permissible, Munich.

4. The German version of this Agreement shall prevail and be decisive.

Odelzhausen.

/s/ Franz Scherer

W.E.T. Automotive Systems Aktiengesellschaft,
vertreten durch den Aufsichtsrat /
represented by the supervisory board,
dieser vertreten durch den Aufsichtsratsvorsitzenden /
the latter represented by its chairman,
Dr. Franz Scherer

/s/ Thomas Liedl

Thomas Liedl

Gentherm Europe und deren alleinige Gesellschafterin Gentherm, Inc. treten hiermit dieser Vereinbarung im Hinblick auf sämtliche sich jeweils für sie hieraus ergebenden Verpflichtungen als weitere Parteien bei.

Northville / Michigan, USA

Gentherm Europe and its sole shareholder Gentherm, Inc. hereby accede to this Agreement as further Parties, each of them with regard to all obligations resulting hereof for them each individually.

Northville / Michigan, USA,

/s/ Daniel R. Coker /s/ Barry G. Steele

Gentherm Europe GmbH,
vertreten durch die Geschäftsführer /
represented by its managing directors,
Daniel R. Coker und / and Barry G. Steele

/s/ Daniel R. Coker /s/ Barry G. Steele

Gentherm, Inc.
vertreten durch / duly represented by
Daniel R. Coker und / and Barry G. Steele

* * *

Anstellungsvertrag

zwischen

der **[Gentherm GmbH]**,
[•]

- vertreten durch die Gesellschafterversammlung, diese
vertreten durch

[•] -
(nachfolgend die „**Gesellschaft**“),

und

Herrn **Thomas Liedl**,
An der Schießstätte 13, 86316 Friedberg
(„**TL**“, gemeinsam mit der Gesellschaft
die „**Parteien**“).

I.
Präambel

1. Die Gesellschaft ist derzeit mit rund 99,49 % des Grundkapitals an der W.E.T. Automotive Systems Aktiengesellschaft mit Sitz in Odelzhausen, Landkreis Dachau, eingetragen im Handelsregister des Amtsgerichts München unter HRB 119793 (nachfolgend die „**W.E.T. AG**“), beteiligt. Die Hauptversammlung der W.E.T. AG vom 28. August 2013 hat beschlossen, dass die Aktien der übrigen Aktionäre (Minderheitsaktionäre) der W.E.T. AG gemäß dem Verfahren zum Ausschluss von Minderheitsaktionären nach §§ 327a ff. AktG gegen Gewährung einer von der Gesellschaft als Hauptaktionär zu zahlenden angemessenen Barabfindung in Höhe von EUR 90,05 je auf den Inhaber lautender Stückaktie der W.E.T. AG mit einem rechnerischen Anteil am Grundkapital von je EUR 3,00 auf die Gesellschaft als Hauptaktionär übertragen werden (nachfolgend der „**Übertragungsbeschluss**“).

Service Agreement

between

[Gentherm GmbH],
[•],

Germany

- represented by the shareholders' meeting,
the latter represented by **[•]** -
(hereinafter referred to as the „**Company**“),

and

Mr. **Thomas Liedl**,
An der Schießstätte 13, 86316 Friedberg, Germany
(„**TL**“, together with the Company
the „**Parties**“).

I.
Preamble

1. The Company currently holds approximately 99.49 % of the nominal share capital of W.E.T. Automotive Systems Aktiengesellschaft with its registered seat in Odelzhausen, district of Dachau, registered with the commercial register at the local court of Munich under HRB 119793 (hereinafter „**W.E.T. AG**“). The shareholders' meeting of W.E.T. AG of 28 August 2013 has resolved that the shares of the remaining shareholders (minority shareholders) of W.E.T. AG are transferred to the Company as main shareholder pursuant to the procedure regarding the expulsion of minority shareholders according to Sections 327a *et seq.* of the German Stock Corporation Act (*Aktiengesetz*, „**AktG**“) against payment of an appropriate cash consideration by the Company as main shareholder in the amount of EUR 90.05 per bearer share of W.E.T. AG without par value, representing a proportionate amount of the nominal share capital of EUR 3.00 (hereinafter the „**Transfer Resolution**“).

2. Der Vorstand der W.E.T. AG beabsichtigt, den Übertragungsbeschluss alsbald zur Eintragung in das für die W.E.T. AG zuständige Handelsregister des Amtsgerichts München anzumelden. Mit der Eintragung des Übertragungsbeschlusses gehen alle Aktien der Minderheitsaktionäre auf die Gesellschaft als Hauptaktionär über. **[Beschreibung des im Hinblick auf die W.E.T. AG tatsächlich erfolgten Umwandlungsvorgangs]** (der Zeitpunkt der Wirksamkeit **[des Umwandlungsvorgangs]** aufgrund Eintragung im zuständigen Handelsregister nachfolgend der „**Umwandlungszeitpunkt**“).
3. TL wurde durch Beschluss des Aufsichtsrats der W.E.T. AG vom 18. Oktober 2010 für die Zeit vom 1. Oktober 2011 bis zum 30. September 2014 zum Mitglied des Vorstands der W.E.T. AG bestellt. TL soll bis zum Verschmelzungszeitpunkt weiterhin Mitglied des Vorstands der W.E.T. AG bleiben. Mit Vereinbarung vom heutigen Tag haben die W.E.T. AG, vertreten durch den Aufsichtsrat, dieser wiederum vertreten durch seinen Vorsitzenden, Herrn Dr. Franz Scherer, und TL den Dienstvertrag von TL als Mitglied des Vorstands der W.E.T. AG in seiner derzeit gültigen Fassung weiter ergänzt und in eine konsolidierte Fassung zusammengeführt (nachfolgend der „**Vorstandsdienstvertrag**“).
4. Ab dem Umwandlungszeitpunkt soll für TL anstelle des Vorstandsdienstvertrags dieser Anstellungsvertrag für die Tätigkeit von TL als Geschäftsführer der – auf welche Weise auch immer – im Wege der Umwandlung entstehenden GmbH gelten (nachfolgend der „**Anstellungsvertrag**“). Die Parteien verpflichten sich, vorbehaltlich der erforderlichen Zustimmung der jeweiligen Gremien und soweit noch nicht erfolgt, TL zum Geschäftsführer der GmbH zu ernennen.
2. The management board of W.E.T. AG intends to file an application for registration of the Transfer Resolution with the commercial register at the local court of Munich, which is competent for W.E.T. AG, in due course. Upon registration of the Transfer Resolution all shares held by the minority shareholders are transferred to the Company as main shareholder. **[Description of the transformation action regarding W.E.T. AG]** (the effective date of **[the transformation action]** due to registration with the competent commercial register the “**Transformation Registration Date**”).
3. By resolution of the supervisory board of W.E.T. AG dated 18 October 2010, TL was appointed member of the management board of W.E.T. AG for the time from 1 October 2011 until 30 September 2014. TL shall remain a member of the management board of W.E.T. AG until the Transformation Registration Date. By agreement as of today, W.E.T. AG, represented by the supervisory board, the latter represented by its chairman, Dr. Franz Scherer, and TL have further amended the service agreement of TL in his capacity as member of the management board of W.E.T. AG in its current version and merged into one consolidated version (hereinafter the “**Management Board Service Agreement**”).
4. Starting from the Transformation Registration Date, this service agreement, instead of the Management Board Service Agreement, shall govern the functions of TL as managing director of the Limited Liability Company which comes into existence – in whichever manner – by way of the Transformation (hereinafter the “**Service Agreement**”). The Parties undertake, subject to the necessary approval by the respective competent corporate bodies and as far as not yet effected, to appoint TL as managing director of the Limited Liability Company.

Dies vorausgeschickt, vereinbaren die Parteien hiermit was folgt:

II.

**§ 1
Aufgaben und Pflichten**

1. TL soll durch einen Beschluss der Gesellschafterversammlung mit Wirkung ab dem Verschmelzungszeitpunkt zum Geschäftsführer der Gesellschaft bestellt werden. In seiner Eigenschaft als Geschäftsführer der Gesellschaft übt TL in der Gentherm-Gruppe die Funktion des „President Gentherm Technologies“ aus.
2. TL führt die Geschäfte nach Maßgabe der Gesetze, des Gesellschaftsvertrags der Gesellschaft, dieses Anstellungsvertrags und der Geschäftsordnung für die Geschäftsführung der Gesellschaft. TL obliegen insbesondere die Aufgaben, die gemäß dem Geschäftsverteilungsplan der Gesellschaft zum Geschäftsbereich von TL in seiner Funktion als „President Gentherm Technologies“ gehören.
3. TL wird seine Arbeitskraft ausschließlich der Gesellschaft widmen. Jede anderweitige Tätigkeit im beruflichen Bereich, insbesondere auch die Übernahme von Aufsichtsrats- oder ähnlichen Mandaten, bedarf der vorherigen Zustimmung der Gesellschafterversammlung. Auf Wunsch der Gesellschafterversammlung übernimmt TL Aufsichtsratsmandate und ähnliche Ämter in Gesellschaften, an denen die Gesellschaft beteiligt ist, sowie eine Tätigkeit in Verbänden, denen die Gesellschaft angehört.

NOW, THEREFORE, the Parties hereby agree as follows:

II.

**§ 1
Duties and Obligations**

1. TL shall be appointed managing director of the Company by way of a resolution of the shareholders' meeting, taking effect with the Transformation Registration Date. In his capacity as managing director of the Company TL shall exercise within the Gentherm group the function as "President Gentherm Technologies".
2. TL conducts the business in accordance with the laws, the articles of association of the Company, this Service Agreement and the rules of procedure for the management of the Company. TL exercises in particular the duties which are part of his scope of business in his capacity as "President Gentherm Technologies" according to the organisational chart of the Company.
3. TL shall dedicate his entire working capacity exclusively to the benefit of the Company. The assumption of any other professional function, in particular the assumption of supervisory or similar offices, requires the prior consent of the shareholders' meeting. Upon request of the shareholders' meeting TL will assume supervisory and similar offices in companies in which the Company holds a participation, as well as functions in associations in which the Company is a member.

4. TL darf im Geschäftszweig der Gesellschaft weder für eigene noch für fremde Rechnung Geschäfte machen. Er wird sich während der Dauer des Anstellungsvertrags nicht an einem Unternehmen beteiligen, das mit der Gesellschaft oder einem mit ihr verbundenen Unternehmen in Wettbewerb steht oder in wesentlichem Umfang Geschäftsbeziehungen mit ihr unterhält. Eine Beteiligung zum Zwecke der privaten Vermögensanlage von bis zu 5 % des Grund- oder Stammkapitals ist zulässig; ungeachtet dessen ist eine Beteiligung von TL an der Gentherm, Inc. in jedem Fall unbeschränkt zulässig.
5. Bei Dienst- oder Erfindungen im Sinne des Gesetzes über Arbeitnehmererfindungen, die TL während der Dauer des Anstellungsvertrags macht, gelten die Vorschriften dieses Gesetzes entsprechend. Die Verwertung von technischen oder organisatorischen Verbesserungsvorschlägen von TL steht ohne besondere Vergütung ausschließlich der Gesellschaft zu.

§ 2 Vertragsdauer

1. Der Anstellungsvertrag beginnt mit dem Verschmelzungszeitpunkt und ist erstmalig zum 30. September 2014 mit einer Frist von mindestens sechs Monaten kündbar. Danach verlängert er sich auf unbestimmte Zeit und kann beiderseits mit einer Frist von sechs Monaten zum Ende eines Kalendermonats gekündigt werden. Das Recht für beide Parteien zur Kündigung aus wichtigem Grund bleibt unberührt.
2. Die Kündigung bedarf der Schriftform. Die Kündigung durch TL ist an die Gesellschafterversammlung zu richten.
3. Die Bestellung von TL zum Geschäftsführer kann durch Beschluss der Gesellschafterversammlung jederzeit widerrufen werden, unbeschadet seiner Entschädigungsansprüche aus diesem Anstellungsvertrag. Der Widerruf gilt als Kündigung des Anstellungsvertrags zum nächstzulässigen Zeitpunkt.

4. TL is not allowed to conduct business for his own or a third party's account in the business area of the Company. During the term of the Service Agreement, TL will not acquire a participation in a company which is in competition with the Company or one of the Company's affiliated companies or which has a material business relationship with the Company. A participation for private investment purposes of up to 5 % of the nominal share capital (*Grund- oder Stammkapital*) is permissible; notwithstanding the aforementioned, a participation of TL in Gentherm, Inc. is in any case permissible without restrictions.
5. In case TL should make, during the term of the Service Agreement, service inventions within the meaning of the German Employee Inventions Act (*Gesetz über Arbeitnehmererfindungen*), the provisions of this act shall apply *mutatis mutandis*. The realisation of technical or organisational suggestions of improvement made by TL may exclusively be made by the Company without any additional remuneration.

§ 2 Term

1. The Service Agreement takes effect with the Transformation Registration Date and may for the first time be terminated with effect as of 30 September 2014 by giving six months' notice. Thereafter, it extends for an indefinite period of time and can be mutually terminated by giving six months' notice to the end of a calendar month. The right for both Parties to terminate this Agreement for good cause remains unaffected.
2. The notice of termination must be made in writing. If termination is made by TL, the notice of termination must be declared towards the shareholders' meeting.
3. The appointment of TL as managing director may be withdrawn at any time by way of a shareholders' resolution, notwithstanding the claims of TL for compensation according to this Service Agreement. The withdrawal shall be construed as a notice of termination with effect as at the next possible date.

4. Nach einer Kündigung des Anstellungsvertrags ist die Gesellschaft berechtigt, TL von seiner Verpflichtung zur Arbeitsleistung freizustellen.

§ 3 Bezüge

1. TL erhält als Vergütung für seine Tätigkeit ein Jahresgehalt in Höhe von brutto EUR 310.000,00 („**Grundgehalt**“), das in zwölf gleichen Raten am Ende eines jeden Monats gezahlt wird. Soweit die Tätigkeit von TL in einem Vertragsjahr unterjährig beginnt oder endet, ist das Grundgehalt zeitanteilig geschuldet. Das Grundgehalt wird jährlich durch den Chief Executive Officer der Gentherm, Inc. unter Berücksichtigung der wirtschaftlichen Lage der Gesellschaft, der individuellen Leistungen von TL und der allgemeinen Geldentwertung auf seine Angemessenheit überprüft und nach billigem Ermessen durch das Board of Directors der Gentherm, Inc. angepasst.
2. Zusätzlich zu seinem Grundgehalt gemäß vorstehendem Absatz 1 nimmt TL am „**Gentherm Bonus Plan**“ teil und erhält auf dieser Grundlage eine Tantieme nach Maßgabe der folgenden Bestimmungen.
 - a. Als Teilnehmer des Gentherm Bonus Plans erhält TL jährlich einen erfolgsabhängigen Bonus (nachfolgend der „**Gentherm-Bonus**“). Die Zielgröße für den Gentherm-Bonus ist jeweils 50 % des Grundgehalts von TL gemäß § 3 Abs. 1 des Anstellungsvertrages (nachfolgend das „**Bonus-Ziel**“).

4. Upon a notice of termination of the Service Agreement the Company is entitled to relieve TL from his service obligation.

§ 3 Remuneration

1. TL is entitled to an annual gross salary in the amount of EUR 310,000.00 (“**Base Salary**”), payable in twelve monthly arrears at the end of each calendar month. To the extent the functions of TL start or end during a contract year, the Base Salary is owed *pro rata temporis*. The Base Salary will be reviewed annually with regard to its appropriateness by the Chief Executive Officer of Gentherm, Inc under consideration of the economic situation of the Company, the individual performance of TL and the general inflation, and will be adjusted by the Board of Directors of Gentherm, Inc. in its equitable discretion.
2. In addition to his Base Salary according to the preceding paragraph 1, TL participates in the “**Gentherm Bonus Plan**” and is thus entitled to the payment of a bonus in accordance with the following provisions.
 - a. In his capacity as participant of the Gentherm Bonus Plan TL is entitled to an annual performance-based bonus (hereinafter the “**Gentherm Bonus**”). The target amount for the Gentherm Bonus is in each case 50 % of the Base Salary of TL pursuant to Section 3 para. 1 of the Service Agreement (hereinafter the “**Bonus Target**”).

- b. Im Hinblick auf die Bestimmung des Gentherm-Bonusses legen der Chief Executive Officer der Gentherm, Inc. und TL zweimal jährlich jeweils im Einvernehmen bestimmte Ziele für das kommende Halbjahr des jeweiligen Geschäftsjahres fest (Januar bis Juni und Juli bis Dezember) die Ziele werden sodann durch das „**Gentherm Compensation Committee**“ gebilligt (nachfolgend die „**Gentherm-Bonus-Ziele**“).
- c. Die Höhe des Gentherm-Bonusses wird zweimal jährlich vom Gentherm Compensation Committee im Namen des Gentherm Board of Directors jeweils für das vorangegangene Halbjahr des Geschäftsjahres nach eigenem Ermessen unter Berücksichtigung des Ergebnisses und der wirtschaftlichen Lage der Gesellschaft sowie der individuellen Leistungen von TL festgesetzt, letztere insbesondere in Abhängigkeit vom Grad der Erreichung der Gentherm-Bonus-Ziele.
- d. Die Auszahlung des Gentherm-Bonusses, jeweils für das vorangegangene Halbjahr des Geschäftsjahres, erfolgt spätestens innerhalb von 30 Tagen, nachdem das Gentherm Board of Directors die jeweiligen Halbjahresergebnisse gebilligt hat, also regelmäßig im August für das erste Halbjahr des Geschäftsjahres (Januar bis Juni) und im Februar für das zweite Halbjahr des (vorangegangenen) Geschäftsjahres (Juli bis Dezember). Ungeachtet der Billigung der Halbjahresergebnisse durch das Gentherm Board of Directors erfolgt die Bestimmung der Höhe des Gentherm-Bonusses durch das Gentherm Compensation Committee gemäß vorstehender lit. c.; die Zielgröße für den Gentherm-Bonus ist 50 % des Grundgehalts von TL gemäß § 2 Abs. 1 dieser Vereinbarung, der Gentherm-Bonus kann aber auch darüber oder darunter liegen. Das Gentherm Compensation Committee soll den Gentherm Bonus Plan zu jeder Zeit nach seinem eigenen Ermessen abändern oder beenden können.
- b. With regard to the determination of the Gentherm Bonus the Chief Executive Officer of Gentherm, Inc. and TL shall establish mutually, twice a year, certain objectives for the upcoming half-year of the respective business year (January until June and July until December) the objectives are approved by the “**Gentherm Compensation Committee**” (hereinafter the “**Gentherm Bonus Objectives**”).
- c. The amount of the Gentherm Bonus is established twice a year by the Gentherm Compensation Committee at its sole discretion on behalf of the Gentherm Board of Directors for the respective preceding half-year of the business year under consideration of the results and the economic situation of the Company as well as the individual performance of TL, the latter in particular depending from the degree of achievement of the Gentherm Bonus Objectives.
- d. Payout of the Gentherm Bonus, in each case for the preceding half-year of the respective business year, is made at the latest within 30 days after the Gentherm Board of Directors has approved the respective half-year results, *i.e.* regularly in August for the first half-year of the business year (January until June) and in February for the second half-year of the (preceding) business year (July until December). Notwithstanding the approval of the half-year results of the business year by the Gentherm Board of Directors, the determination of the amount of the Gentherm Bonus is made by the Gentherm Compensation Committee in accordance with the preceding lit. c.; the target amount for the Gentherm Bonus is 50 % of the Base Salary of TL pursuant to Section 2 para. 1 of this Agreement, but may also be below or above. The Gentherm Compensation Committee shall have discretion to modify or terminate the Gentherm Bonus Plan at any time in its sole discretion.

3. Die Gesellschaft stellt TL für die Dauer seiner Bestellung zum Geschäftsführer einen Personenkraftwagen zur dienstlichen und privaten Nutzung zur Verfügung. Der Anschaffungswert ist auf EUR 80.000,00 (exklusive Mehrwertsteuer) begrenzt. Das Kraftfahrzeug muss einer Produktkategorie angehören, die mit Produkten der Gentherm-Gruppe ausgestattet ist. Die Gesellschaft trägt die Kosten für die Haltung (Steuern und Versicherungen), den Betrieb (Benzin und sonstige Treibstoffkosten) sowie die Wartung des Fahrzeugs. TL wird zunächst den ihm zum Verschmelzungszeitpunkt auf Grundlage des Vorstandsdienstvertrages zur Verfügung stehenden Dienstwagen bis zum Ende des hierfür geltenden Leasingzeitraumes nutzen. Die private Nutzung ist von TL gemäß den jeweils gültigen deutschen steuerlichen Vorschriften als geldwerter Vorteil zu versteuern. Die Marke und das Modell des Dienstwagens müssen zuvor vom „**Gentherm Fleet Manager**“ genehmigt werden.
4. TL ist im Hinblick auf langfristige Anreizvergütungen, die von der Gentherm, Inc. in unregelmäßigen Abständen gewährt werden (*Long Term Incentive*, nachfolgend „**LTI**“), bezugsberechtigt. LTI können etwa in Form von Aktienoptionen, Belegschaftsaktien mit Sperrfrist und / oder Aktienwertsteigerungsrechten (Aktienoptionen mit Barausgleichspflicht) gewährt werden. LTI können von der Gentherm, Inc. auf der Grundlage einer Entscheidung des Board of Directors unter Berücksichtigung des Ergebnisses und der wirtschaftlichen Lage der Gesellschaft gewährt werden. Über die Art, den Umfang und die Höhe der Beteiligung von TL an LTI entscheidet das Board of Directors nach eigenem Ermessen.
5. Mehr-, Sonntags- und Feiertagsarbeit ist mit den Bezügen von TL gemäß diesem § 3 abgegolten.
6. Die Gesellschaft erstattet TL belegte Reisekosten und Bewirtungsauslagen entsprechend den jeweils gültigen Festlegungen der Gesellschaft und den jeweils gültigen deutschen steuerrechtlichen Richtlinien.
3. The Company shall make available to TL for the term of his appointment as managing director a company car which may also be used for private purposes. The acquisition value is limited to EUR 80,000.00 (excluding VAT). The company car must stem from a product category which is equipped with products of the Gentherm group. The Company shall bear the costs for maintenance (taxes and insurances), use (gas and other fuel costs) as well as for service and care of the car. TL will continue to use the company car which is at his disposal at the time of the Transformation Registration Date according to the Management Board Service Agreement until the leasing period for this company car expires. The private use is taxable by TL as financial benefit (*geldwerter Vorteil*) according to applicable German tax law, as amended from time to time. The make and the model of the company car must be approved beforehand by the “**Gentherm Fleet Manager**”.
4. TL is eligible with regard to long-term incentive remuneration which is granted by Gentherm, Inc. from time to time (*Long Term Incentive*, hereinafter “**LTI**”). LTI can be granted, e.g., in the form of stock options, restricted stock units and / or stock appreciation rights (cash paid options). LTI can be granted by Gentherm, Inc. based on a decision of the Board of Directors under consideration of the results and the economic situation of the Company. The Board of Directors will decide in its own discretion about the form, the extent and the amount in which TL participates in LTI.
5. Overtime as well as work on Sundays and public holidays is compensated with the remuneration granted to TL according to this Section 3.
6. The Company reimburses to TL travel and hospitality expenses upon presentation of receipts in accordance with the rules of the Company and the applicable German taxation guidelines, as amended from time to time.

§ 4
Bezüge bei Krankheit /
Versicherung

1. Wird TL an der Ausübung seiner Tätigkeit durch Krankheit oder andere durch ihn nicht verschuldete Gründe gehindert, so erhält er für die Dauer von sechs Monaten, längstens jedoch bis zur Beendigung dieses Anstellungsvertrages, sein zeitanteiliges Grundgehalt gemäß § 3 Abs. 1 weiter (nachfolgend die „**Gehaltsfortzahlung**“). Etwaige Zahlungen, die TL in einem solchen Fall von einer Versicherung erhält, etwa Krankentage- oder Pflegegeld, werden auf die Gehaltsfortzahlung angerechnet.
2. Die Gesellschaft wird TL für die Dauer des Anstellungsvertrags gegen Unfall versichern, und zwar mit EUR 2.000.000,00 für den Invaliditätsfall und EUR 1.000.000,00 für den Todesfall. Der Versicherungsschutz im Rahmen dieser Versicherung umfasst alle beruflichen und außerberuflichen Unfälle. Die Versicherungsprämien trägt die Gesellschaft.

§ 5
Urlaub

TL hat Anspruch auf einen angemessenen Jahresurlaub (d.h. nicht mehr als 30 Arbeitstage pro Kalenderjahr), dessen Zeitpunkt und Dauer er selbst festlegt. Seinen Urlaub hat TL so zu disponieren, dass die Interessen der Gesellschaft gewahrt bleiben, und im Übrigen vorab mit dem Chief Executive Officer der Gentherm, Inc. und den übrigen Geschäftsführern der Gesellschaft abzustimmen.

§ 4
Remuneration upon Sickness /
Insurance

1. In case TL cannot fulfil his duties due to sickness or other reasons for which he is not responsible, he is entitled to a *pro rata temporis* payment of his Base Salary pursuant to Section 3 para. 1 for a period of six months, at the longest, however, until the termination of this Service Agreement (hereinafter the “**Continued Payment**”). Any payments which TL receives in such case from the side of an insurance, e.g. sickness daily or care allowances, are to be set off against the Continued Payment.
2. The Company will insure TL for the term of the Service Agreement against accident; the insurance sum is EUR 2,000,000.00 in case of invalidity and EUR 1,000,000.00 in case of death. The insurance protection within this insurance covers all business and non-business related accidents. The insurance premiums are borne by the Company.

§ 5
Vacation

TL is entitled to an appropriate annual vacation (i.e. not to exceed 30 working days per calendar year), the point of time and the duration of which are determined by himself. TL shall determine his vacation in such way that the interests of the Company are respected and is subject to prior coordination with the Chief Executive Officer of Gentherm, Inc. and the other managing directors of the Company.

§ 6
D&O-Versicherung

Die für TL in seiner Eigenschaft als Mitglied des Vorstands der W.E.T. AG bestehende D&O-Versicherung wird nach dem Verschmelzungszeitpunkt zugunsten von TL als Geschäftsführer der Gesellschaft auf Kosten der Gesellschaft ohne Selbstbehalt fortgeführt. Die Gesellschaft wird die D&O-Versicherung für mindestens zehn Jahre nach dem Verschmelzungszeitpunkt und für mindestens fünf Jahre nach dem Ausscheiden von TL als Geschäftsführer der Gesellschaft – je nachdem, welcher Zeitpunkt später eintritt – ohne Verschlechterung aufrechterhalten und TL für den genannten Zeitraum eine persönliche Nachmeldfrist einräumen. Die Gesellschaft ist verpflichtet, TL unverzüglich über drohende Schadensersatzansprüche der Gesellschaft oder von Dritten wegen Pflichtverletzungen während seiner Zeit als Mitglied des Vorstands der W.E.T. AG oder als Geschäftsführer der Gesellschaft zu unterrichten.

§ 7
**Sonstige Leistungen,
Beitrag zur Altersvorsorge**

1. Die Gesellschaft erstattet TL jeweils 50 % der gesetzlichen Höchstbeiträge zur gesetzlichen Rentenversicherung, Krankenversicherung, Pflegeversicherung und Arbeitslosenversicherung. Bei Inanspruchnahme einer privaten Krankenversicherung und privater Pflegeversicherung erstattet die Gesellschaft die monatlichen Beiträge.

§ 6
D&O Insurance

The D&O insurance which is existing for TL in his capacity as member of the management board of W.E.T. AG will continue and remain without personal deductible at the expenses of the Company after the Transformation Registration Date in favour of TL in his capacity as managing director of the Company. The Company will sustain the D&O insurance to the same extent and without restrictions for at least ten years after the Transformation Registration Date and for at least five years after termination of the services of TL as managing director of the Company, whichever occurs last; in addition, the Company will grant to TL a personal reporting period for the aforementioned time. The Company is obliged to inform TL immediately about impending damage claims of the Company or of third parties based on violations of duties during his term of office as member of the management board of W.E.T. AG or as managing director of the Company.

§ 7
**Additional Services,
Contribution to Retirement Provisions**

1. The Company reimburses to TL 50 % of the maximum contributions as determined by law to each of the statutory pension, health, long-term care and unemployment insurance. If TL engages in a private health and long-term care insurance, the Company reimburses to TL the monthly contributions.

2. Für den Fall, dass die Verschmelzung dazu führt, dass TL der Versicherungspflicht in der gesetzlichen Rentenversicherung unterliegt, und demgegenüber die Versicherungspflicht nicht bestünde, wenn die W.E.T. AG in der Rechtsform der AG fortgeführt würde, erhöht sich das Grundgehalt (§ 3 Abs. 1) – ungeachtet der Regelungen in vorstehendem Absatz 1 – um die entsprechenden Versicherungsbeiträge, sodass die Versicherungspflicht für TL im Ergebnis (unter Berücksichtigung sämtlicher gezahlter oder zu zahlender Steuern) nicht mit finanziellen Belastungen verbunden ist und somit im Hinblick auf die Vergütung von TL neutral ist.

§ 8
Verschwiegenheitspflicht,
Rückgabe von Unterlagen

1. TL ist verpflichtet, insbesondere auch während der Zeit nach Beendigung des Anstellungsvertrages, alle vertraulichen Informationen über das Geschäft, die Vertragsbeziehungen, Abschlüsse, Geschäfte oder besonderen Angelegenheiten der Gesellschaft oder von mit ihr verbundenen Unternehmen geheim zu halten und diese Informationen nicht für seinen eigenen oder den Nutzen anderer zu verwenden.
2. Während des Dienstverhältnisses wird TL auf Verlangen der Gesellschaft, spätestens aber bei Beendigung des Dienstverhältnisses unaufgefordert, der Gesellschaft alle in seinem Besitz befindlichen oder seinem Zugriff unterliegenden Akten und sonstigen den Geschäftsbetrieb der Gesellschaft oder verbundener Unternehmen betreffende Unterlagen – insbesondere alle Pläne, Kunden, Preislisten, Druckmaterial, Urkunden, Zeichnungen, Notizen, Entwürfe – sowie Kopien davon zurückgeben, ohne Rücksicht darauf, ob er sie von der Gesellschaft selbst oder von verbundenen Unternehmen erhalten hat. Sinngemäß gilt das Gleiche für nicht körperliche Informationen und Materialien, etwa Computerprogramme oder auf Datenträgern gespeicherte Informationen. Ein Zurückbehaltungsrecht von TL ist ausgeschlossen.

2. In case the Transformation has the effect that TL is subject to the statutory pension insurance obligation, and otherwise such obligation would not be at hand if W.E.T. AG would persist in the legal form of a German Stock Corporation (*Aktiengesellschaft, AG*), the Base Salary (Section 3 para. 1) – notwithstanding the provisions in the preceding paragraph 1 – is increased by the respective insurance contributions with the consequence that, as a result, the insurance obligation (taking into consideration all taxes paid or payable) does not cause financial burdens to TL and is thus neutral with regard to the remuneration of TL.

§ 8
Confidentiality,
Return of Documents

1. TL is obliged, in particular also after the termination of the Service Agreement, to keep confidential all confidential information regarding the business, the contractual relationships, agreements, business affairs or special matters of the Company or of affiliated companies and to use this information not for his own benefit or for the benefit of third parties.
2. TL shall return, during the term of his services on the Company's request, at the latest, however, upon termination of his services without request by the Company being necessary, all files and further documents related to the Company's business or the business of affiliated companies – in particular all plans, clients, price lists, print material, deeds, drawings, notes, drafts – as well as copies thereof which are in his possession or which he has access to, regardless of whether he has received them from the Company or an affiliated company. The same shall apply *mutatis mutandis* to all non-physical information and materials, e.g. computer software and information saved on storage mediums. A right of retention of TL is excluded.

§ 9
Schlussbestimmungen

1. Sollten einzelne Bestimmungen des Anstellungsvertrages unwirksam sein oder werden, so berührt dies die Gültigkeit der übrigen Bestimmungen nicht. Anstelle der unwirksamen Bestimmung soll eine angemessene Regelung gelten, die dem am nächsten kommt, was die Parteien nach ihrer wirtschaftlichen Zwecksetzung gewollt haben. Das gleiche gilt im Falle einer vertraglichen Lücke.
2. Änderungen und Ergänzungen des Anstellungsvertrages, einschließlich dieses Schriftformerfordernisses, bedürfen zu ihrer Wirksamkeit der Schriftform. Dies gilt auch für die Aufhebung dieser Klausel.
3. Der Anstellungsvertrag ersetzt ab seinem Beginn (§ 2 Abs. 1 Satz 1) sämtliche vorhergehenden dienstvertraglichen Beziehungen und Regelungen zwischen den Parteien.
4. Dieser Anstellungsvertrag unterliegt dem Recht der Bundesrepublik Deutschland. Gerichtsstand für alle sich aus oder in Zusammenhang mit diesem Anstellungsvertrag ergebenden Streitigkeiten ist, soweit gesetzlich zulässig, München.
5. Die deutsche Fassung dieses Anstellungsvertrages ist maßgeblich.

§ 9
Final Provisions

1. In case individual provisions of the Service Agreement are or become invalid, this shall not affect the validity of the remaining provisions. The invalid provision shall be replaced by an adequate provision which comes closest to the economic intentions of the Parties. The same shall apply in case of a gap in the Service Agreement.
2. Amendments and supplements to the Service Agreement, including this written form requirement, must be made in writing in order to be effective. This does also apply to the cancellation of this clause.
3. Starting from its beginning (Section 2 para. 1 sentence 1) the Service Agreement replaces all prior service relationships and agreements between the Parties.
4. This Service Agreement is subject to the laws of the Federal Republic of Germany. The Place of jurisdiction for all disputes arising out of or in connection with this Service Agreement is, as far as legally permissible, Munich.
5. The German version of this Service Agreement shall prevail and be decisive.

[Gentherm GmbH],

vertreten durch die Gesellschafterversammlung /
represented by the shareholders' meeting,
diese vertreten durch [•] /
the latter represented by [•]

Thomas Liedl

Die Alleingesellschafterin der Gentherm Europe, die
Gentherm, Inc., tritt hiermit diesem Anstellungsvertrag im
Hinblick auf sämtliche sich für sie hieraus ergebenden
Verpflichtungen als weitere Partei bei.

Northville / Michigan, USA,
den / this [•]

The sole shareholder of Gentherm Europe, Gentherm, Inc.,
hereby accedes to this Service Agreement as further Party
with regard to all obligations resulting for it hereof.

Northville / Michigan, USA,
den / this [•]

Gentherm, Inc.

vertreten durch / duly represented by
Daniel R. Coker und / and Barry G. Steele

Gentherm Europe GmbH

* * *

Anlage 2.2

Zusätzlich zum Grundgehalt erhält das Vorstandsmitglied eine jährliche erfolgsabhängige Tantieme (nachfolgend auch der „**Bonus**“), die an die Entwicklung des Unternehmenswertes (EVA, Stern Stewart) der W.E.T.-Gruppe nach Maßgabe der folgenden Regelungen gekoppelt ist:

1. Basis für den Bonus ist das Erreichen von bestimmten EVA-Werten, die sich auf die gesamte W.E.T.-Gruppe beziehen (die „**EVA-Zielwerte**“). Die EVA-Zielwerte werden für einen Zeitraum von jeweils 3 (drei) Jahren einvernehmlich zwischen dem Vorstand und dem Aufsichtsrat festgelegt, erstmals beginnend mit dem Geschäftsjahr 2011 für die Jahre 2011 bis 2013.
2. Die EVA-Zielwerte basieren hierbei auf einem mit dem Vorstand abgestimmten Berechnungsmodell von Stern Stewart und basieren auf den vorläufigen Abschlusszahlen für das Geschäftsjahr 2010 und den Budgetzahlen für die Jahre 2011 bis 2013. Ob die EVA-Zielwerte erreicht werden, richtet sich nach der als Anlage beigefügten Berechnung.
3. Bei Erreichen der EVA-Zielwerte ergibt sich ein Bonus in Höhe von 100 %, der 50 % des Grundgehaltes des Vorstandsmitglieds nach § 2 Abs. 1 des Dienstvertrages entspricht (der „**Basis-Bonus**“). Der Zielerreichungsgrad kann für die Zwecke der Berechnung des Bonusses niedrigstenfalls -100 % und maximal +300 % (der „**Maximal-Bonus**“) betragen. Bei Über- oder Unterschreitungen innerhalb dieser Bandbreite ist der Zielerreichungsgrad linear zu ermitteln.

Annex 2.2

In addition to the Base Salary, the member of the management board is entitled to an annual performance-based Management Bonus (hereinafter also referred to as the „**Bonus**“) which is linked to the development of the enterprise value (EVA, Stern Stewart) of the W.E.T. Group in according to the following provisions:

1. The Bonus is based on the achievement of certain EVA values with regard to the entire W.E.T. Group (the „**EVA Target Values**“). The EVA Target Values are consensually determined by the management board and the supervisory board for a period of 3 (three) years, for the first time beginning with the business year 2011 for the years 2011 to 2013.
2. The EVA Target Values are based on a calculation model according to Stern Stewart, as agreed upon with the management board, and are based on the preliminary year-end figures for the business year 2010 and the budget figures for the years 2011 to 2013. Whether or not the EVA Target Values are achieved, depends on the calculation attached hereto as annex.
3. Upon achievement of the EVA Target Values, a Bonus of 100 % arises which equals 50 % of the Base Salary of the member of the management board pursuant to Section 2 para. 1 of the service agreement (the „**Base Bonus**“). The degree of target achievement may be, for calculation purposes, as a minimum -100 % and as a maximum +300 % (the „**Maximum Bonus**“). In case of exceedance or shortfall within this range, the degree of target achievement is to be determined straight proportionally.

4. Nach Ablauf des Geschäftsjahres wird auf Grundlage des konsolidierten IFRS Konzernabschlusses der W.E.T-Gruppe der Zielerreichungsgrad für die EVA-Zielwerte durch den Aufsichtsrat festgestellt und der sich danach zu errechnende Bonus ermittelt. Bei Änderungen des Konsolidierungskreises während des laufenden Geschäftsjahres sind die jeweiligen festgelegten EVA-Zielwerte – soweit erforderlich – anzupassen. Die Anpassung erfolgt *pro rata temporis* einvernehmlich zwischen dem Aufsichtsrat und allen Vorstandsmitgliedern unter Bezugnahme und Berücksichtigung der maßgeblichen Vorjahreszahlen der neu zu konsolidierenden bzw. zu dekonsolidierenden Gesellschaft(en) durch entsprechende Erhöhung bzw. Reduzierung der betroffenen EVA-Zielwerte.
 5. Der Bonus berechnet sich als Multiplikation von Basis-Bonus mal Zielerreichungsgrad. Insofern kann der Bonus auch negativ sein. Er kann aber nicht höher als das Dreifache des Basis-Bonus sein.
 6. Das Entstehen und die Auszahlung des Bonus unterliegt Restriktionen („**Bonus-Bank**“), um die Nachhaltigkeit der Anreizwirkung durch die erfolgsabhängige Tantieme zu gewährleisten:
 - a. Sofern der Zielerreichungsgrad 0 % bis einschließlich +100 % beträgt, ist der hierauf zu zahlende Bonus vollständig in dem Monat, in dem der Jahresabschluss festgestellt wird, abzurechnen. Der Bonus ist dann auch fällig und auf das der Gesellschaft bekannte Konto des Vorstandsmitglieds nach Abzug von Steuern und sonstigen Abgaben (die „**Abgaben**“) auszuzahlen.
 - b. Sofern der Zielerreichungsgrad mehr als +100 % beträgt, ist der Bonus
4. After the end of the business year the degree of target achievement for the EVA Target Values is determined by the supervisory board based on the IFRS consolidated financial statements of the W.E.T. Group, and the Bonus resulting thereafter is to be determined. In case of changes of the consolidated companies during the business year, the respectively determined EVA Target Values are to be adjusted, if necessary. The adjustment shall be made *pro rata temporis* consensually between the supervisory board and all members of the management board with reference to and taking into consideration of the relevant prior-year figures of the company/-ies to be additionally consolidated or to be unconsolidated by increase or decrease of the concerned EVA Target Values, respectively.
 5. The Bonus is calculated by multiplying the Base Bonus with the degree of target achievement. Therefore, the Bonus can also be negative. But it may not exceed the amount of three times the Base Bonus.
 6. The arising and the payout of the Bonus is subject to certain restrictions (“**Bonus Bank**”), in order to guarantee the sustainability of the incentive by the performance-based Management Bonus:
 - a. If the degree of target achievement is 0 % up to +100 %, the Bonus to be paid thereon is to be fully determined in the month in which the annual financial statements are approved. The Bonus is then also due and to be transferred to the bank account of the member of the management board which is known to the Company after deduction of taxes and additional levies (the “**Levies**”).
 - b. If the degree of target achievement is higher than +100 %, the Bonus is

- i. in Höhe des nach Ziffer 6 lit. a errechneten Betrages in dem Monat, in dem der Jahresabschluss festgestellt wird, abzurechnen. Dieser Teil des Bonus ist dann auch fällig und auf das der Gesellschaft bekannte Konto des Vorstandsmitglieds nach Abzug von Abgaben auszuzahlen;
 - ii. in Höhe des Restbetrages („**Überschießender Bonus**“) in die bei der Gesellschaft rechnerisch geführte Bonus-Bank des Vorstandsmitglieds einzustellen; die Einstellung in die Bonus-Bank erfolgt 12 Monate nach Feststellung des Überschießenden Bonus.
- c. Sofern der Zielerreichungsgrad zwischen -100 % (einschließlich) und 0 % (ausschließlich) liegt, erfolgt in dem Monat, in dem der Jahresabschluss festgestellt wird, keine Auszahlung eines Basis-Bonus, sondern der negative Bonus wird als Abzugsposten in die bei der Gesellschaft rechnerisch geführte Bonus-Bank des Vorstandsmitglieds eingestellt („**Negativer Bonus**“).
 - d. Die in die bei der Gesellschaft rechnerisch geführte Bonus-Bank des Vorstandsmitglieds eingestellten Überschießenden Boni sind mit eingestellten Negativen Boni innerhalb der Bonus-Bank zu verrechnen und der so ermittelte Saldo in der Bonus-Bank festzuhalten („**Saldo Bonus**“). Der Saldo Bonus kann negativ, jedoch kann er in Summe nicht niedriger als -100 % sein.
 - e. Jedes Jahr, beginnend mit dem Geschäftsjahr 2012, ist ein positiver Saldo Bonus in Höhe eines Betrages, der 33 % des Saldo Bonus entspricht, in dem Monat, in dem der Jahresabschluss festgestellt wird, abzurechnen, d.h. der positive Saldo Bonus in der Bonus-Bank verringert sich entsprechend. Dieser Teil des Bonus ist dann auch fällig und auf das der Gesellschaft bekannte Konto des Vorstandsmitglieds nach Abzug von Abgaben auszuzahlen.
- i. to be determined in the amount to be calculated pursuant to Section 6 lit. a in the month in which the annual financial statements are approved. This part of the Bonus is then also due and to be transferred to the bank account of the member of the management board which is known to the Company after deduction of Levies;
 - ii. to the amount remaining (“**Excessive Bonus**“) to be credited to the Bonus Bank of the member of the management board which is run by the Company in virtual form; the Excessive Bonus is to be credited to the Bonus Bank 12 months after its determination.
- c. If the degree of target achievement is between -100 % (inclusive) and 0 % (exclusive), no Base Bonus is paid out in the month in which the annual financial statements are approved, but the negative Bonus is to be accounted for deduction in the Bonus Bank of the member of the management board which is to be run by the Company in virtual form (“**Negative Bonus**“).
 - d. The Excessive Bonuses credited to the Bonus Bank of the member of the management board which is run by the Company in virtual form are to be settled with Negative Bonuses credited to the Bonus Bank, and the balance resulting thereof is to be registered with the Bonus Bank (“**Balance Bonus**“). The Balance Bonus can be negative, but its sum cannot be less than -100 %.
 - e. Starting with the business year 2012, each year a positive Balance Bonus is to be settled in the amount of 33 % of the Balance Bonus in the month in which the annual financial statements are approved, *i.e.* the positive Balance Bonus in the Bonus Bank decreases accordingly. This part of the Bonus is then also due and to be transferred to the bank account of the member of the management board which is known to the Company after deduction of Levies.

7. Bei Beendigung des Dienstvertrages des Vorstandsmitglieds ist die Bonus-Bank 12 Monate nach Beendigung des Dienstvertrages (die „**Nachlaufphase**“) auf Basis des Saldo Bonusses und unter Berücksichtigung des Grundes der Beendigung abzurechnen. Das bedeutet, dass sich der bei der Gesellschaft in der rechnerisch geführten Bonus-Bank des Vorstandsmitglieds ausgewiesene Saldo Bonus in Abhängigkeit vom Zielerreichungsgrad in der Nachlaufphase noch verändern kann.
- a. Erfolgt die Beendigung des Dienstvertrages des Vorstandsmitglieds aus Gründen, die ihn als Good Leaver (s.u. lit. h) qualifizieren, so kann sich der Saldo Bonus in der Nachlaufphase verringern oder erhöhen.
- b. Erfolgt die Beendigung des Dienstvertrages des Vorstandsmitglieds aus Gründen, die ihn als Bad Leaver (s.u. lit. g) qualifizieren, so ist der Saldo Bonus nach der Nachlaufphase maximal Null und es erfolgt auf jeden Fall keine Ausschüttung an das Vorstandsmitglied. Der Saldo Bonus kann sich aber in der Nachlaufphase auch verringern und damit negativ werden.
- c. Eine Veränderung greift nur dann ein, wenn der Zielerreichungsgrad innerhalb der Nachlaufphase kleiner als 0 % ist oder größer als +200 %. Bei einem Zielerreichungsgrad innerhalb der Nachlaufphase, der gleich oder größer als 0 %, aber gleich oder kleiner als +200 % ist, erfolgt keine Veränderung. Ist der Zielerreichungsgrad größer als +200 %, so ist für die Veränderung des Saldo Bonus nur ein die Schwelle von +200 % überschießender Zielerreichungsgrad bis maximal +300 % für die Veränderung anzusetzen, so dass eine Veränderung in diesem Fall maximal +100 % betragen kann.
- d. Bei einer unterjährigen Beendigung des Dienstvertrages wird der Aufsichtsrat der Gesellschaft zum Ende der Nachlaufphase die Höhe des Zielerreichungsgrades nach billigem Ermessen festlegen.
7. Upon termination of the service agreement of the member of the management board, the Bonus Bank is to be finally settled 12 months after the termination of the service agreement (the „**Follow-Up Period**“), based on the Balance Bonus and under consideration of the reason for the termination. This means that the Balance Bonus shown in the Bonus Bank of the member of the management board, which is run by the Company in virtual form, can change depending on the degree of target achievement in the Follow-Up Period.
- a. In case the termination of the service agreement of the member of the management board occurs for reasons qualifying him as Good Leaver (see lit. h below), the Balance Bonus can decrease or increase during the Follow-Up Period.
- b. In case the termination of the service agreement of the member of the management board occurs for reasons qualifying him as Bad Leaver (see lit. g below), the Balance Bonus equals at most zero at the end of the Follow-Up Period, and there is no payout to the member of the management board. However, the Balance Bonus can also decrease in the Follow-Up Period, and thus become negative.
- c. There will only be a change in case the degree of target achievement within the Follow-Up Period is less than 0 % or higher than +200 %. If the degree of target achievement within the Follow-Up Period is higher than or equal to 0 %, but less than or equal to +200 %, there will be no change. If the degree of target achievement is higher than +200 %, only a degree of target achievement exceeding +200 % up to +300 % is applicable for the change of the Balance Bonus, so that in this case a change can be at most +100 %.
- d. If the service agreement is terminated in the course of a year, the supervisory board of the Company will determine the degree of target achievement at the end of the Follow-Up Period in its equitable discretion.

- e. Erfolgt die Beendigung des Dienstvertrages des Vorstandsmitglieds aus Gründen, die ihn als Good Leaver (s.u. lit. h) qualifizieren und sofern am Ende der Nachlaufzeit ein positiver Saldo Bonus besteht, wird eine Zahlung in Höhe eines Betrages, der dem dann festgestellten positiven Saldo Bonus entspricht, mit einem Abschlag von 10 % auf diesen Betrag fällig. Der so ermittelte Betrag ist auf das der Gesellschaft bekannte Konto des Vorstandsmitglieds nach Abzug von Abgaben auszuführen.
- f. Sofern am Ende der Nachlaufzeit ein negativer Saldo Bonus festgestellt wird, und
 - i. die Beendigung des Dienstvertrages des Vorstandsmitglieds aus Gründen erfolgt, die ihn als Good Leaver qualifizieren, so hat das Vorstandsmitglied einen Betrag in Höhe von 50 % des dann festgestellten negativen Saldo Bonus (ohne darauf entfallende Abgaben) an die Gesellschaft zurückzuführen; oder
 - ii. die Beendigung des Dienstvertrages des Vorstandsmitglieds aus Gründen erfolgt, die ihn als Bad Leaver qualifizieren, so hat das Vorstandsmitglied einen Betrag in Höhe des dann festgestellten negativen Saldo Bonus (ohne darauf entfallende Abgaben) an die Gesellschaft zurückzuführen.

Eine Rückzahlungsverpflichtung des Vorstandsmitglieds besteht nur soweit und nur in der Höhe wie das Vorstandsmitglied in der Vergangenheit aufgrund der erfolgsabhängigen Tantieme Bonuszahlungen erhalten hat. Das Vorstandsmitglied haftet für die Rückzahlungsverpflichtung nicht mit seinem von der Gesellschaft erhaltenen Grundgehalt.

- e. In case the termination of the service agreement of the member of the management board occurs for reasons qualifying him as Good Leaver (see lit. h below), and if there is, at the end of the Follow-Up Period, a positive Balance Bonus, a payment becomes due in the amount which equals the positive Balance Bonus determined at that time, with a deduction of 10 %. The amount thus determined is to be transferred to the bank account of the member of the management board which is known to the Company after deduction of Levies.
- f. If, at the end of the Follow-Up Period, a negative Balance Bonus is determined, and
 - i. the termination of the service agreement of the member of the management board occurs for reasons qualifying him as Good Leaver, the member of the management board has to pay back to the Company an amount of 50 % of the negative Balance Bonus then determined (excluding Levies related thereto); or
 - ii. the termination of the service agreement of the member of the management board occurs for reasons qualifying him as Bad Leaver, the member of the management board has to pay back to the Company the amount of the negative Balance Bonus then determined (excluding Levies related thereto).

A payback obligation of the member of the management board exists only to the extent and up to the amount in which the member of the management board has received Bonus payments in the past due to the performance-based Management Bonus. As regards the payback obligation, the member of the management board is not liable with his Base Salary received by the Company.

Der Aufsichtsrat kann nach billigem Ermessen auf eine Rückzahlung eines Bonus nach diesem lit. f ganz oder teilweise verzichten.

Die jeweils so ermittelten Beträge sind von dem Vorstandsmitglied innerhalb von 60 Werktagen nach Mitteilung durch die Gesellschaft auf ein von der Gesellschaft dem Vorstandsmitglied mitgeteiltes Konto einzuzahlen. Hieraus erfolgende Erstattungen für Abgaben auf die ursprünglichen Boni-Zahlungen stehen der Gesellschaft zu.

- g. Als „**Bad Leaver**“ qualifiziert ein Vorstandsmitglied, dessen Dienstvertrag durch die Gesellschaft aus wichtigem Grund nach § 626 BGB beendet oder dessen Bestellung als Vorstandsmitglied aus wichtigem Grund nach § 84 Abs. 3 AktG widerrufen wird.
- h. Als „**Good Leaver**“ qualifiziert ein Vorstandsmitglied, dessen Dienstvertrag aus Gründen endet, die ihn nicht als Bad Leaver qualifizieren.

The supervisory board may waive a payback of the Bonus pursuant to this lit. f fully or partly in its equitable discretion.

The respective amounts thus determined are to be transferred by the member of the management board to a bank account named by the Company within 60 business days following the notification by the Company. The Company is entitled to reimbursements of Levies arising thereof which relate to the original Bonus payments.

- g. “**Bad Leaver**” is a member of the management board whose service agreement is terminated by the Company for good cause pursuant to Section 626 of the German Civil Code (*Bürgerliches Gesetzbuch, BGB*) or whose appointment as member of the management board is revoked for good cause pursuant to Section 84 para. 3 AktG.
- h. “**Good Leaver**” is a member of the management board whose service agreement ends for reasons which do not qualify him as Bad Leaver.

CHIEF EXECUTIVE OFFICER'S CERTIFICATION

I, Daniel R. Coker, 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 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 issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2013

/s/ Daniel R. Coker

Daniel R. Coker

President & Chief Executive Officer

CHIEF FINANCIAL OFFICER'S CERTIFICATION

I, Barry G. Steele, 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 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 issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2013

/s/ Barry G. Steele

Barry G. Steele

Chief Financial Officer

**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 September 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel R. Coker, 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 result of operations of the Company.

/s/ Daniel R. Coker

Daniel R. Coker

President and Chief Executive Officer

November 5, 2013

**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 September 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Barry G. Steele, 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 result of operations of the Company.

/s/ Barry G. Steele

Barry G. Steele

Chief Financial Officer

November 5, 2013

