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

FORM 10-Q

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

For the quarterly period ended June 30, 2020

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)**	**95-4318554** **(I.R.S. Employer Identification No.)**
21680 Haggerty Road, Northville, MI **(Address of principal executive offices)**	**48167** **(Zip Code)**

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

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

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

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

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

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

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

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

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

At August 3, 2020, there were 32,654,863 issued and outstanding shares of Common Stock of the registrant.

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)
(Unaudited)

	June 30, 2020	December 31, 2019
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 209,170	$ 50,443
Restricted cash	2,505	2,505
Accounts receivable, less allowance of $1,800 and $1,193, respectively	118,885	159,710
Inventory:		
Raw materials	61,762	61,323
Work in process	6,575	7,444
Finished goods	44,293	49,712
Inventory, net	112,630	118,479
Other current assets	36,592	42,726
Total current assets	479,782	373,863
Property and equipment, net	149,240	160,605
Goodwill	64,629	64,572
Other intangible assets, net	48,399	49,783
Operating lease right-of-use assets	12,780	11,587
Deferred income tax assets	57,972	57,650
Other non-current assets	10,568	9,326
Total assets	$ 823,370	$ 727,386
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 65,521	$ 83,035
Current lease liabilities	4,184	4,586
Current maturities of long-term debt	2,500	2,500
Other current liabilities	63,805	66,583
Total current liabilities	136,010	156,704
Long-term debt, less current maturities	198,099	78,124
Pension benefit obligation	7,690	8,057
Non-current lease liabilities	10,097	6,751
Other non-current liabilities	2,153	5,100
Total liabilities	$ 354,049	$ 254,736
Shareholders' equity:		
Common Stock:		
No par value; 55,000,000 shares authorized 32,639,752 and 32,674,354 issued and outstanding at June 30, 2020 and December 31, 2019, respectively	104,113	102,507
Paid-in capital	9,770	10,852
Accumulated other comprehensive loss	(47,845)	(42,441)
Accumulated earnings	403,283	401,732
Total shareholders' equity	469,321	472,650
Total liabilities and shareholders' equity	$ 823,370	$ 727,386

See accompanying notes to the consolidated condensed financial statements.

GENTHERM INCORPORATED

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Product revenues	$ 136,061	$ 243,326	$ 364,674	$ 501,247
Cost of sales	109,326	170,612	271,872	353,226
Gross margin	26,735	72,714	92,802	148,021
Operating expenses:				
Net research and development expenses	15,341	19,255	33,101	38,152
Selling, general and administrative expenses	21,889	32,171	47,729	64,822
Restructuring expenses	(598)	1,231	3,168	3,145
Total operating expenses	36,632	52,657	83,998	106,119
Operating (loss) income	(9,897)	20,057	8,804	41,902
Interest expense, net	(1,361)	(1,240)	(2,109)	(2,608)
Foreign currency loss	(1,741)	(804)	(2,679)	(601)
Gain on sale of business	—	—	—	4,970
Impairment loss	—	(9,885)	—	(20,369)
Other income	2,882	171	3,146	314
(Loss) earnings before income tax	(10,117)	8,299	7,162	23,608
Income tax expense	205	5,548	5,611	12,443
Net (loss) income	$ (10,322)	$ 2,751	$ 1,551	$ 11,165
Basic (loss) earnings per share	$ (0.32)	$ 0.08	$ 0.05	$ 0.33
Diluted (loss) earnings per share	$ (0.32)	$ 0.08	$ 0.05	$ 0.33
Weighted average number of shares – basic	32,580	33,441	32,635	33,508
Weighted average number of shares – diluted	32,580	33,574	32,869	33,651

See accompanying notes to the consolidated condensed financial statements.

GENTHERM INCORPORATED

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net (loss) income	$ (10,322)	$ 2,751	$ 1,551	$ 11,165
Other comprehensive income (loss):				
Foreign currency translation adjustments	5,947	3,480	(2,793)	(771)
Unrealized gain (loss) on foreign currency derivative securities, net of tax	1,139	232	(2,611)	831
Other comprehensive income (loss), net of tax	7,086	3,712	(5,404)	60
Comprehensive (loss) income	$ (3,236)	$ 6,463	$ (3,853)	$ 11,225

See accompanying notes to the consolidated condensed financial statements.

GENTHERM INCORPORATED

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

	Six Months Ended June 30,	
	2020	2019
Operating Activities:		
Net income	$ 1,551	$ 11,165
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	20,488	22,217
Deferred income taxes	(913)	3,070
Stock based compensation	3,909	3,291
Defined benefit plan income	(278)	(699)
Allowance for credit losses	605	545
Loss on sale of property and equipment	339	227
Operating lease expense	3,490	2,903
Impairment loss	—	20,369
Gain on sale of business	—	(4,970)
Gain on sale of patents	(1,978)	—
Changes in assets and liabilities:		
Accounts receivable	37,805	(4,021)
Inventory	5,292	1,650
Other assets	2,888	276
Accounts payable	(17,753)	(9,528)
Other liabilities	(5,218)	(6,087)
Net cash provided by operating activities	50,227	40,408
Investing Activities:		
Purchases of property and equipment	(7,500)	(13,024)
Acquisition of intangible assets	(3,141)	—
Proceeds from the sale of patents and property and equipment	1,061	82
Proceeds from divestiture of business	—	47,500
Acquisition of subsidiary, net of cash acquired	—	(15,476)
Net cash (used in) provided by investing activities	(9,580)	19,082
Financing Activities:		
Borrowing of debt	201,193	28,371
Repayments of debt	(81,830)	(61,120)
Cash paid for financing costs	—	(1,278)
Cash paid for the cancellation of restricted stock	(471)	(926)
Proceeds from the exercise of Common Stock options	6,178	4,771
Cash paid for the repurchase of Common Stock	(9,092)	(33,040)
Net cash provided by (used in) financing activities	115,978	(63,222)
Foreign currency effect	2,102	293
Net increase (decrease) in cash, cash equivalents and restricted cash	158,727	(3,439)
Cash, cash equivalents and restricted cash at beginning of period	52,948	39,620
Cash, cash equivalents and restricted cash at end of period	$ 211,675	$ 36,181
Supplemental disclosure of cash flow information:		
Cash (refund) paid for taxes	$ (3,117)	$ 3,522
Cash paid for interest	$ 1,967	$ 2,712

See accompanying notes to the consolidated condensed financial statements.

GENTHERM INCORPORATED

CONSOLIDATED CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands)

(Unaudited)

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

	Six Months Ended June 30, 2019					
	Common Stock		Paid-in	Accumulated Other Comprehensive	Accumulated	
	Shares	Amount	Capital	Loss	Earnings	Total
Balance at December 31, 2018	33,857	$ 140,300	$ 14,934	$ (39,500)	$ 363,965	$ 479,699
Cumulative effect ASU 2016-02	—	—	—	—	$ 261	261
Net income	—	—	—	—	8,414	8,414
Other comprehensive loss	—	—	—	(3,652)	—	(3,652)
Stock compensation, net	(4)	2,226	(421)	—	—	1,805
Stock repurchase	(200)	(8,040)	—	—	—	(8,040)
Balance at March 31, 2019	33,653	$ 134,486	$ 14,513	$ (43,152)	$ 372,640	$ 478,487
Net income	—	—	—	—	2,751	2,751
Other comprehensive income	—	—	—	3,712	—	3,712
Stock compensation, net	125	5,824	(493)	—	—	5,331
Stock repurchase	(630)	(25,000)	—	—	—	(25,000)
Balance at June 30, 2019	33,148	$ 115,310	$ 14,020	$ (39,440)	$ 375,391	$ 465,281

See accompanying notes to the consolidated condensed financial statements.

Note 1 – Overview

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

On February 1, 2019, the Company completed the divestiture of its environmental test equipment business, Cincinnati Sub-Zero industrial chamber business (“CSZ-IC”) and on October 1, 2019, the Company completed the divestiture of its remote power generation systems business, Gentherm Global Power Technologies (“GPT”). The Company’s consolidated condensed financial statements herein include the results of CSZ-IC and GPT through their respective dates of divestiture. CSZ-IC and GPT are not subject to discontinued operations classification.

On April 1, 2019, Gentherm acquired Stihler Electronic GmbH (“Stihler”), a leading developer and manufacturer of patient and blood temperature management systems. The acquisition was accounted for as a business combination.

Basis of Presentation

The unaudited consolidated condensed financial statements included herein have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to those rules and regulations. The information furnished in the consolidated condensed financial statements include all adjustments (consisting of only normal, recurring adjustments), considered necessary to present fairly the results of operations, financial position and cash flows of the Company. These financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2019. The operating results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year.

Impact of COVID-19

The COVID-19 pandemic has significantly disrupted global economic activity, including the automotive market. The COVID-19 pandemic began in China around December 2019. The impact of the outbreak quickly expanded beyond China and its surrounding region, and has significantly and adversely impacted the entire global economy and automotive market in 2020. During the first quarter of 2020, customer plants in North America and Europe were closed beginning in the second half of March due to the pandemic. This resulted in temporary, partial closures of several of our manufacturing facilities in North America and Europe by the end of March 2020. Customer plants and our manufacturing facilities in Asia were closed for several weeks in February and operated at reduced volumes in March, resuming production to near full capacity by the end of the first quarter, which continued throughout the second quarter. However, during the second quarter of 2020, our manufacturing facilities in North America and Europe remained closed until the last week in May due to the pandemic, gradually resuming production to near full capacity in North America, and to about 70% capacity in Europe by the end of June.

The COVID-19 pandemic had a significant adverse impact on global automotive markets in the second quarter of 2020 and such adverse impact is continuing, driven by supply chain and production disruptions, workforce restrictions, travel restrictions and reduced consumer spending, among other factors, which had significant negative impacts on Gentherm’s financial performance in the first half of 2020. The consequences of the pandemic and adverse impact to the economy continue to evolve and the full extent of the adverse impact on our business and financial statements remains uncertain as of the date of this filing.

In preparing these financial statements, management was required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates and assumptions are based on our historical experience, the terms of existing contracts, our evaluation of trends in the industry, information provided by our customers and suppliers and information available from other outside sources, as appropriate. These estimates and assumptions are subject to an inherent degree of uncertainty. We are not presently aware of any events or circumstances arising from the COVID-19 pandemic that would require us to update such estimates and assumptions or revise the carrying value of our assets or liabilities. Our estimates may change, however, as new events occur and additional information is obtained. As a result, actual results may differ significantly from our estimates, and any such differences may be material to our financial statements.

Note 2 – New Accounting Pronouncements

Recently Adopted Accounting Pronouncements

Expected Credit Losses

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." ASU 2016-13 requires measurement and recognition of expected credit losses for financial assets held. ASU 2016-13 is effective for annual and interim periods beginning after December 15, 2019. The Company adopted ASU 2016-13 as of January 1, 2020 and there was no significant impact on its consolidated condensed financial statements and related disclosures as a result. The Company considered the current and expected future economic and market conditions surrounding the COVID-19 pandemic and determined that the estimate of credit losses was not significantly impacted.

Cloud Computing Arrangements That Are Service Contracts

In August 2018, the FASB issued ASU 2018-15, "Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract." ASU 2018-15 requires implementation costs incurred by customers in cloud computing arrangements to be deferred and recognized over the term of the arrangement if those costs would be capitalized by the customer in a software licensing arrangement under the internal-use software guidance. ASU 2018-15 is effective for annual and interim periods beginning after December 15, 2019. The Company adopted ASU 2018-15 as of January 1, 2020 and there was no significant impact on its consolidated condensed financial statements and related disclosures as a result.

Fair Value Measurement

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement." ASU 2018-13 removes certain disclosure requirements, including (i) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, (ii) the policy for timing of transfer between levels, and (iii) the valuation processes for Level 3 fair value measurements. ASU 2018-13 also adds new disclosure requirements, including (i) the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and (ii) the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. ASU 2018-13 is effective for annual and interim periods beginning after December 15, 2019. The Company adopted ASU 2018-13 as of January 1, 2020 and there was no significant impact on its consolidated condensed financial statements and related disclosures as a result.

Recently Issued Accounting Pronouncements Not Yet Adopted

Retirement Benefits

In August 2018, the FASB issued ASU 2018-14, "Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans." ASU 2018-14 removes certain disclosure requirements, including (i) the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year, and (ii) the amount and timing of plan assets expected to be returned to the employer. ASU 2018-14 also adds new disclosure requirements, including (i) the weighted-average interest crediting rates for cash balance plans and other plans with promised interest crediting rates and (ii) an explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period. ASU 2018-14 is effective for annual periods ending after December 15, 2020. Early adoption of the amendments in this update is permitted. The Company is currently in the process of determining the impact the implementation of ASU 2018-14 will have on the Company's financial statement note disclosures.

Income Taxes

In December 2019, the FASB issued ASU No. 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes". This ASU simplifies the accounting for income taxes by removing certain exceptions previously included in the guidance. In addition, the ASU provides new guidance on accounting for specific taxes and minor codification improvements. ASU 2019-12 is effective for annual periods ending after December 15, 2020. Early adoption of the amendments in this update is permitted. The Company is currently in the process of determining the impact the implementation of ASU 2019-12 will have on the Company's financial statements and financial statement note disclosures.

Reference Rate Reform

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of Effects of Reference Rate Reform on Financial Reporting". ASU 2020-04 provides practical expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The expedients and exceptions provided by the amendments in this update apply only to contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued as a result of reference rate reform. These amendments are not applicable to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022. ASU No. 2020-04 is effective as of March 12, 2020 through December 31, 2022 and may be applied to contract modifications and hedging relationships from the beginning of an interim period that includes or is subsequent to March 12, 2020. The Company will adopt this standard when LIBOR is discontinued and does not expect a material impact to its consolidated financial statements.

Note 3 – Acquisitions and Divestitures

In June 2018, Gentherm announced a new strategic plan. An important element of the strategy was the elimination of investments in non-core areas, including GPT and CSZ-IC.

Divestiture of CSZ-IC

On February 1, 2019, the Company completed the sale of CSZ-IC and the former Cincinnati Sub-Zero headquarters facility to Weiss Technik North America, Inc. for total cash proceeds of $47,500, including $2,500 of cash proceeds placed into an escrow account for a period of up to one year as partial security for the Company's obligations under the sale agreement. The Company recognized a $4,970 pre-tax gain on the sale of CSZ-IC during the six months ended June 30, 2019, which is classified as Gain on sale of business within the consolidated condensed statements of (loss) income. In January 2020, claims were made against the cash proceeds held in the escrow account, which has been maintained in escrow following the expiration of the one-year escrow period. The Company is not able to estimate the possible loss, if any, of amounts held in escrow in connection with such claims. The cash proceeds held in escrow are recorded as restricted cash within the consolidated condensed balance sheets.

Divestiture of GPT

During 2018, the Company determined that GPT met the held for sale criteria. During the first half of 2019, the Company continued to assess the fair value of the GPT disposal group, less costs to sell, at each reporting period. As a result of these fair value measurements, the Company recorded impairment loss of $8,885 and $15,883 for the three and six months ended June 30, 2019, respectively. Additionally, the Company determined an equity investment met the held for sale criteria and recognized impairment loss of $1,000 and $4,486 for the three and six months ended June 30, 2019. On October 1, 2019, the Company completed the sale of GPT for a nominal amount.

Acquisition of Stihler

On April 1, 2019, Gentherm acquired Stihler for a purchase price of $15,476, net of cash acquired and including $653 of contingent consideration to be paid upon achievement of a milestone that must be completed by September 2020. In addition, the purchase agreement includes a contingent payment of $653 to be paid if the selling shareholder remains employed by Stihler through December 2020. This amount is being recognized as a component of selling, general and administrative expenses ratably over the service period. The results of operations of Stihler were reported within the Company's Industrial segment from the date of acquisition. The acquisition was accounted for as a business combination. The purchase price and related allocation were finalized in the fourth quarter of 2019. The pro forma effect of the Stihler acquisition does not materially impact the Company's reported results for any period presented, and as a result no pro forma financial statements are presented.

Note 4 – Restructuring

Manufacturing Footprint Rationalization

On September 23, 2019, the Company committed to a restructuring plan to improve the Company's manufacturing productivity and rationalize its footprint. Under this plan, the Company will relocate and consolidate certain existing automotive manufacturing and, as a result, reduce the number of plants by two. On March 20, 2020, the Company announced the initial phase of this restructuring plan, which includes the consolidation of all North American electronics manufacturing to Celaya, Mexico. This will result in the closure of the Burlington, Canada facility, and the transfer of electronics manufacturing from Acuña, Mexico. During the second quarter of 2020, due to circumstances arising from the COVID-19 pandemic, management adjusted the plan to proactively manage its cash position. Adjustments to the plan have resulted in changes to the estimated number of employee separations and total costs to execute the plan.

During the three and six months ended June 30, 2020, the Company recognized restructuring expense of $(1,691) and $(1,443) for employee separation costs, respectively, $200 and $442 for accelerated depreciation, respectively, and $16 and $16 for other costs, respectively. The net activity is primarily related to a reduction in the estimates of previously recognized employee separation costs. The Company has recorded approximately $5,965 of restructuring expenses since the inception of this program.

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

Other Restructuring Activities

As part of the Company's continued efforts to optimize its cost structure, the Company has undertaken several discrete restructuring actions. During the three and six months ended June 30, 2020, the Company recognized $860 and $3,914 of employee separation costs, respectively, and $17 and $239 of other related costs, respectively. During the three and six months ended June 30, 2019, the Company recognized $860 and $1,259 of employee separation costs, respectively, and $349 and $349 of other related costs, respectively. In addition, during the three and six months ended June 30, 2019, the Company recognized $0 and $425 of asset impairment loss, respectively. These restructuring expenses were primarily associated with restructuring actions focused on the rotation of our manufacturing footprint to lower cost locations and the reduction of global overhead costs. These discrete restructuring actions are expected to approximate the total cumulative costs for those actions. The Company will continue to explore opportunities to improve its future profitability and competitiveness. These actions may result in the recognition of additional restructuring charges that could be material.

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

GPT and CSZ-IC

Costs associated with the divestiture process were classified as restructuring. During the three and six months ended June 30, 2019, the Company recognized $0 and $251 of employee separation costs, respectively, and $22 and $861 of other related costs, related to the marketing of GPT and CSZ-IC, respectively, which were classified as restructuring. The Company has recorded approximately $2,303 of restructuring expenses since inception of this program and it is considered complete.

Restructuring Expenses By Reporting Segment

The following table summarizes restructuring expense for the three and six months ended June 30, 2020 and 2019 by reporting segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Automotive	$ (619)	$ 826	$ 2,503	$ 1,194
Industrial	4	56	100	1,602
Reconciling items	17	349	565	349
Total	$ (598)	$ 1,231	$ 3,168	$ 3,145

Restructuring Liability

Restructuring liabilities are classified as accrued liabilities on the consolidated condensed balance sheets. The following table summarizes restructuring liability for the six months ended June 30, 2020:

	Employee Separation Costs	Accelerated Depreciation Charges	Other Related Costs	Total
Balance at December 31, 2019	$ 5,994	$ —	$ 71	$ 6,065
Additions, charged to restructuring expenses	3,302	242	222	3,766
Cash payments	(1,932)	—	(202)	(2,134)
Non-cash utilization	—	(242)	—	(242)
Currency translation	(306)	—	38	(268)
Balance at March 31, 2020	$ 7,058	$ —	$ 129	$ 7,187
Additions, charged to restructuring expenses	1,301	200	33	1,534
Change in estimate	(2,132)	—	—	(2,132)
Cash payments	(1,286)	—	(173)	(1,459)
Non-cash utilization	—	(200)	—	(200)
Currency translation	175	—	46	221
Balance at June 30, 2020	$ 5,116	$ —	$ 35	$ 5,151

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

Note 5 – (Loss) Earnings Per Share

Basic (loss) earnings per share are computed by dividing net (loss) income by the weighted average number of shares of Common Stock outstanding during the period. The Company's diluted (loss) earnings per share give effect to all potential shares of Common Stock outstanding during a period that do not have an anti-dilutive impact to the calculation. In computing the diluted (loss) earnings per share, the treasury stock method is used in determining the number of shares assumed to be issued from the exercise of Common Stock equivalents. The Company had a net loss for the three months ended June 30, 2020. As a result, basic and diluted loss per common share were the same, as any potentially dilutive securities would be anti-dilutive.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net (loss) income	$ (10,322)	$ 2,751	$ 1,551	$ 11,165
Basic weighted average shares of Common Stock outstanding	32,579,549	33,440,764	32,635,322	33,508,479
Dilutive effect of stock options, restricted stock awards and restricted stock units	—	132,844	233,392	142,638
Diluted weighted average shares of Common Stock outstanding	32,579,549	33,573,608	32,868,714	33,651,117
Basic (loss) earnings per share	$ (0.32)	$ 0.08	$ 0.05	$ 0.33
Diluted (loss) earnings per share	$ (0.32)	$ 0.08	$ 0.05	$ 0.33

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Anti-dilutive securities share impact	N/A	630	347	630

Note 6 – Segment Reporting

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

The Company's reportable segments are as follows:

- *Automotive* – this segment represents the design, development, manufacturing and sales of automotive climate comfort systems, specialized automotive cable systems, battery thermal management, and automotive electronic systems.
- *Industrial* – this segment represents the combined results from our patient temperature management systems business ("Medical"), GPT (through October 1, 2019), CSZ-IC (through February 1, 2019) and Gentherm's advanced research and development division. The operating results from these businesses and division are presented together as one reporting segment because of their historical joint concentration on identifying new markets and product applications based on thermal management technologies.
- *Reconciling Items* – includes corporate selling, general and administrative costs and acquisition transaction costs.

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

The tables below present segment information about the reported product revenues, depreciation and amortization and operating income (loss) of the Company for three and six months ended June 30, 2020 and 2019.

Three Months Ended June 30,	**Automotive**	**Industrial**	**Reconciling Items**	**Consolidated Total**
2020:				
Product revenues	$ 124,386	$ 11,675	$ —	$ 136,061
Depreciation and amortization	9,297	474	311	10,082
Operating income (loss)	1,251	(158)	(10,990)	(9,897)
2019:				
Product revenues	$ 229,700	$ 13,626	$ —	$ 243,326
Depreciation and amortization	10,327	416	422	11,165
Operating income (loss)	37,931	(4,121)	(13,753)	20,057

Six Months Ended June 30,	**Automotive**	**Industrial**	**Reconciling Items**	**Consolidated Total**
2020:				
Product revenues	$ 340,858	$ 23,816	$ —	$ 364,674
Depreciation and amortization	18,821	981	686	20,488
Operating income (loss)	32,612	(418)	(23,390)	8,804
2019:				
Product revenues	$ 472,057	$ 29,190	$ —	$ 501,247
Depreciation and amortization	20,490	839	888	22,217
Operating income (loss)	77,827	(8,635)	(27,290)	41,902

Automotive and Industrial segment product revenues by product category for the three and six months ended June 30, 2020 and 2019 were as follows:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2020	**2019**	**2020**	**2019**
Climate Control Seats (CCS)	$ 49,879	$ 88,437	$ 132,407	$ 182,791
Seat Heaters	33,342	73,628	97,874	147,548
Electronics	13,488	11,454	23,864	24,306
Automotive Cables	9,833	22,206	31,973	45,955
Steering Wheel Heaters	7,980	16,029	27,215	32,999
Battery Thermal Management (BTM)	6,653	8,896	17,862	19,641
Other Automotive	3,211	9,050	9,663	18,817
Subtotal Automotive	124,386	229,700	340,858	472,057
Medical	11,675	9,881	23,816	18,068
GPT	—	3,745	—	7,704
CSZ-IC	—	—	—	3,418
Subtotal Industrial	11,675	13,626	23,816	29,190
Total Company	$ 136,061	$ 243,326	$ 364,674	$ 501,247

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

Total product revenues information by geographic area is as follows (based on shipment destination):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
United States	$ 47,097	$ 110,632	$ 153,015	$ 229,086
China	23,517	16,410	36,520	32,007
South Korea	20,385	15,577	36,802	30,555
Germany	9,761	20,300	26,591	43,510
Japan	9,349	20,003	25,486	38,594
Czech Republic	5,520	10,009	15,593	22,151
Canada	3,089	10,102	11,351	20,393
Romania	2,960	6,009	10,619	12,931
United Kingdom	1,405	6,833	8,369	15,665
Other	12,978	27,451	40,328	56,355
Total Non-U.S.	$ 88,964	$ 132,694	$ 211,659	$ 272,161
Total Company	$ 136,061	$ 243,326	$ 364,674	$ 501,247

Note 7 – Revenue Recognition

Contract Balances

The Company has no material contract assets. The Company’s contract liabilities are comprised of material rights in the Automotive segment. The aggregate amount of transaction price allocated to material rights that remained unsatisfied as of June 30, 2020 was $171.

Assets Recognized from the Costs to Obtain a Contract with a Customer

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if the benefits of those costs are expected to be realized for a period greater than one year. Total capitalized costs to obtain a contract were $1,800 and $1,893 as of June 30, 2020 and December 31, 2019, respectively. These amounts are recorded in other current assets and are being amortized into product revenues over the expected production life of the program.

Note 8 – Income Taxes

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

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

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

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act was signed into U.S. law. The CARES Act provides a stimulus and assistance package intended to address the impact of the COVID-19 pandemic, including tax relief and government loans, grants and investments. As permitted by the CARES Act, the Company expects to defer the payment of payroll taxes each quarter for the remainder of 2020 to be paid in the fourth quarters of 2021 and 2022.

A summary of the provision for income taxes and the corresponding effective tax rate for the three and six months ended June 30, 2020 and 2019, is shown below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Income tax expense	$ 205	$ 5,548	$ 5,611	$ 12,443
(Loss) earnings before income tax	$ (10,117)	$ 8,299	$ 7,162	$ 23,608
Effective tax rate	(2.0)%	66.9%	78.3%	52.7%

For the three and six months ended June 30, 2020, the Company recognized a tax expense of $3,383 related to multi-year international audit settlements and closures. For the three and six months ended June 30, 2019, the Company recognized a loss of $9,885 and $20,369, respectively related to a non-deductible impairment loss.

The annual effective tax rates differ from the U.S. statutory rate primarily due to foreign rates which differ from those in the U.S., U.S. taxes on foreign earnings, the realization of certain business tax credits, including research and development and foreign tax credits, the applicable withholding taxes on the projected future repatriations of the earnings from the Company’s non-U.S. operations that are not considered permanently reinvested and the effect of the discrete items described above.

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

Note 9 – Details of Certain Balance Sheet Components

	June 30, 2020	December 31, 2019
Other current assets:		
Notes receivable	$ 12,823	$ 9,963
Income tax and other tax receivable	9,460	17,057
Prepaid expenses	6,689	7,022
Billable tooling	4,890	5,194
Derivative financial instruments	—	1,242
Other	2,730	2,248
Total other current assets	$ 36,592	$ 42,726
Other current liabilities:		
Liabilities from discounts and rebates	$ 20,145	$ 16,593
Accrued employee liabilities	18,754	26,019
Income and other taxes payable	5,457	3,693
Restructuring	5,151	6,065
Accrued warranty	2,852	4,596
Derivative financial instruments	2,095	—
Other	9,351	9,617
Total other current liabilities	$ 63,805	$ 66,583

Note 10 – Goodwill and Other Intangibles

Goodwill

A summary of changes in the carrying amount of goodwill, by operating segment, for the six months ended June 30, 2020 is as follows:

	Automotive	Industrial	Total
Balance as of December 31, 2019	$ 36,938	$ 27,634	$ 64,572
Exchange rate impact	42	15	57
Balance as of June 30, 2020	$ 36,980	$ 27,649	$ 64,629

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

Other Intangible Assets

Other intangible assets and accumulated amortization balances as of June 30, 2020 and December 31, 2019 were as follows:

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Definite-lived:			
Customer relationships	$ 89,352	$ (54,045)	$ 35,307
Technology	28,286	(20,919)	7,367
Product development costs	19,859	(18,804)	1,055
Indefinite-lived:			
Tradenames	4,670	—	4,670
Balance as of June 30, 2020	$ 142,167	$ (93,768)	$ 48,399

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Definite-lived:			
Customer relationships	$ 89,208	$ (50,687)	$ 38,521
Technology	25,106	(19,866)	5,240
Product development costs	19,911	(18,559)	1,352
Indefinite-lived:			
Tradenames	4,670	—	4,670
Balance as of December 31, 2019	$ 138,895	$ (89,112)	$ 49,783

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

On June 19, 2020, Gentherm sold patents from a non-core business for $2,055. The gain on sale of $1,978 was recorded in Other income on the consolidated condensed statements of (loss) income.

In addition to annual impairment testing, which is performed in the fourth quarter of each fiscal year, the Company continuously monitors for events and circumstances that could negatively impact the key assumptions used in determining fair value, including long-term revenue growth projections, profitability, discount rates, recent market valuations from transactions by comparable companies, volatility in the Company's market capitalization, and general industry, market and macroeconomic conditions, requiring interim impairment testing. We are not presently aware of any events or circumstances arising from the COVID-19 pandemic that would require us to revise the carrying value of our assets or liabilities as of June 30, 2020.

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

Note 11 – Debt

The following table summarizes the Company's debt as of June 30, 2020 and December 31, 2019:

	June 30, 2020		December 31, 2019	
	Interest Rate	Principal Balance	Interest Rate	Principal Balance
Amended Credit Agreement:				
U.S. Revolving Note (U.S. Dollar Denominations)	1.68%	$ 174,000	3.05%	$ 50,000
U.S. Revolving Note (Euro Denominations)	1.50%	19,099	1.25%	21,874
DEG Vietnam Loan	5.21%	7,500	5.21%	8,750
Total debt		200,599		80,624
Less: current maturities		(2,500)		(2,500)
Long-term debt, less current maturities		$ 198,099		$ 78,124

Amended Credit Agreement

The Company, together with certain direct and indirect subsidiaries, had a credit agreement dated August 7, 2014, as amended (the "Credit Agreement") which included a revolving credit note ("U.S. Revolving Note") with a maximum borrowing capacity of $350,000.

On June 27, 2019, the Company entered into an Amended and Restated Credit Agreement (the "Amended Credit Agreement") with a consortium of lenders and Bank of America, N.A. as administrative agent. The Amended Credit Agreement amended and restated in its entirety the Credit Agreement. The outstanding principal and interest of the U.S. Revolving Note under the Credit Agreement continued and constitute obligations under the Amended Credit Agreement.

The Amended Credit Agreement increased the U.S. Revolving Note from $350,000 to $475,000 and extended the maturity from March 17, 2021 to June 27, 2024. Subject to specified conditions that the Company does not satisfy as of June 30, 2020, the Company can increase the U.S. Revolving Note or incur secured term loans in an aggregate amount of $175,000. The Amended Credit Agreement also provides $15,000 availability for the issuance of letters of credit and a maximum of $40,000 for swing line borrowing. Any amount of the facility utilized for letters of credit or swing line loans outstanding will reduce the amount available under the Amended Credit Agreement. The Company had no outstanding letters of credit issued under the Amended Credit Agreement as of June 30, 2020 and December 31, 2019.

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

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

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

Under the Amended Credit Agreement, U.S. Dollar denominated loans bear interest at either a base rate ("Base Rate Loans") or Eurocurrency rate ("Eurocurrency Rate Loans"), plus a margin ("Applicable Rate"). The rate for Base Rate Loans is equal to the highest of the Federal Funds Rate (0.08% at June 30, 2020) plus 0.50%, Bank of America's prime rate (3.25% at June 30, 2020), or the Eurocurrency rate plus 1.00%. The rate for Eurocurrency Rate Loans denominated in U.S. Dollars is equal to the London Interbank Offered Rate (0.16% at June 30, 2020). All loans denominated in a currency other than the U.S. Dollar must be Eurocurrency Rate Loans. Interest is payable at least quarterly.

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

In March 2020, the Company increased its borrowings under the Amended Credit Agreement by $169,546 as a safeguard to increase its cash position and provide additional financial flexibility due to the COVID-19 pandemic. The proceeds have been and will continue to be used for working capital and for other general corporate purposes permitted by the Amended Credit Agreement. During the second quarter of 2020, the Company repaid a net amount of $32,822 of the amounts outstanding under the Amended Credit Agreement. As of June 30, 2020, inclusive of the net new borrowings, $193,099 was outstanding under the Amended Credit Agreement. Borrowing availability is subject to, among other things, the Company's compliance with the minimum Consolidated Interest Coverage Ratio and Consolidated Leverage Ratio as of the end of any fiscal quarter. Based upon consolidated EBITDA for the trailing twelve months calculated for purposes of the Consolidated Leverage Ratio, $159,342 remained available as of June 30, 2020 for additional borrowings under the Amended Credit Agreement subject to specified conditions that Gentherm currently satisfies.

DEG Vietnam Loan

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

As of June 30, 2020, the Company was in compliance with the terms of the Amended Credit Agreement and DEG Vietnam Loan.

The scheduled principal maturities of our debt as of June 30, 2020 were as follows:

Year	U.S. Revolving Note	DEG Vietnam Note	Total
Remainder of 2020	$ —	$ 1,250	$ 1,250
2021	—	2,500	2,500
2022	—	2,500	2,500
2023	—	1,250	1,250
2024	193,099	—	193,099
Total	$ 193,099	$ 7,500	$ 200,599

Note 12 – Leases

The Company has operating leases for office, manufacturing and research and development facilities, as well as land leases for certain manufacturing facilities that are accounted for as operating leases. The Company also has operating leases for office equipment and automobiles. Excluding land leases, our leases have remaining lease terms ranging from less than one year to twelve years and may include options to extend the lease for an additional term equal to the original term of the lease. Land leases have remaining lease terms that range from 40 to 43 years and some which specify that the end of the lease term is at the discretion of the lessee. The Company does not have lease arrangements with related parties.

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

Components of lease expense for the three and six months ended June 30, 2020 and 2019 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Lease cost:				
Operating lease cost	$ 1,637	$ 1,570	$ 3,223	$ 2,903
Short-term lease cost	390	930	899	1,885
Sublease income	(39)	(39)	(79)	(52)
Total lease cost	$ 1,988	$ 2,461	$ 4,043	$ 4,736

Other information related to leases is as follows:

	Six Months Ended June 30,	
	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	$ 3,294	$ 2,966
Right-of-use lease assets obtained in exchange for lease obligations:		
Operating leases	$ 5,477	$ 3,004
Gain on sale and leaseback transactions, net	$ —	$ 207
	June 30, 2020	June 30, 2019
Weighted average remaining lease term:		
Operating leases	6.7 years	4.7 years
Weighted average discount rate:		
Operating leases	5.08%	5.40%

A summary of operating leases as of June 30, 2020, under all non-cancellable operating leases with terms exceeding one year is as follows:

2020 (excluding the six months ended June 30, 2020)	$ 2,691
2021	4,263
2022	2,083
2023	1,269
2024	1,259
2025 or later	5,487
Total future minimum lease payments	17,052
Less imputed interest	(2,771)
Total	$ 14,281

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

Note 13 – Financial Instruments

Cash, Cash Equivalents and Restricted Cash

The Company has cash that is legally restricted as to use or withdrawal. A reconciliation of cash and cash equivalents on the consolidated condensed balance sheets to cash, cash equivalents and restricted cash presented on the consolidated condensed statements of cash flows is as follows:

	June 30, 2020	December 31, 2019
Cash and cash equivalents presented in the consolidated condensed balance sheets	$ 209,170	$ 50,443
Restricted cash	2,505	2,505
Cash, cash equivalents and restricted cash presented in the consolidated condensed statements of cash flows	$ 211,675	$ 52,948

Derivative Financial Instruments

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

The Company regularly enters into derivative contracts with the objective of managing its financial and operational exposure arising from these risks by offsetting gains and losses on the underlying exposures with gains and losses on the financial instruments used to hedge them. The maximum length of time over which the Company hedges its exposure to foreign currency exchange risks is one year. The Company had foreign currency derivative contracts with a notional value of $15,003 and $14,449 outstanding as of June 30, 2020 and December 31, 2019, respectively.

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

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

Information related to the recurring fair value measurement of derivative instruments in our consolidated condensed balance sheet as of June 30, 2020 is as follows:

			Asset Derivatives		Liability Derivatives		
	Hedge Designation	Fair Value Hierarchy	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Net Asset/ (Liabilities)
Foreign currency derivatives	Cash flow hedge	Level 2	Other current assets	$ —	Other current liabilities	$ (2,095)	$ (2,095)

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

Information related to the recurring fair value measurement of derivative instruments in our consolidated condensed balance sheet as of December 31, 2019 is as follows:

			Asset Derivatives		Liability Derivatives		
	Hedge Designation	Fair Value Hierarchy	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Net Asset/ (Liabilities)
Foreign currency derivatives	Cash flow hedge	Level 2	Other current assets	$ 1,242	Other current liabilities	$ —	$ 1,242

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

		Three Months Ended June 30,		Six Months Ended, June 30,	
	Location	2020	2019	2020	2019
Foreign currency derivatives	Product revenues	$ —	$ 435	$ —	$ 675
	Cost of sales	$ (796)	$ —	$ (718)	$ —
	Other comprehensive income (loss)	1,458	297	(3,337)	1,063
	Foreign currency loss	(58)	(32)	(129)	(69)
Total foreign currency derivatives		$ 604	$ 700	$ (4,184)	$ 1,669

The Company did not incur any hedge ineffectiveness during the three and six months ended June 30, 2020 and 2019.

Note 14 – Fair Value Measurements

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value measurements are based on one or more of the following three valuation techniques:

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

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

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

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

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

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

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

Items Measured at Fair Value on a Recurring Basis

Except for derivative instruments (see Note 13), pension plan assets and a corporate owned life insurance policy, the Company had no material financial assets and liabilities that were carried at fair value at June 30, 2020 and December 31, 2019. In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and also considers counterparty credit risk in its assessment of fair value.

Items Measured at Fair Value on a Nonrecurring Basis

The Company measures certain assets and liabilities at fair value on a non-recurring basis. As these nonrecurring fair value measurements are generally determined using unobservable inputs, these fair value measurements are classified within Level 3 of the fair value hierarchy. As of June 30, 2020 and December 31, 2019, there were no additional significant assets or liabilities measured at fair value on a non-recurring basis.

Items Not Carried at Fair Value

The Company uses an income valuation technique to measure the fair values of its debt instruments by converting amounts of future cash flows to a single present value amount using rates based on current market expectations (Level 2 inputs). As of June 30, 2020, and December 31, 2019, the carrying values of the indebtedness under the Company's Amended Credit Agreement were not materially different than its estimated fair values because the interest rates on variable rate debt approximated rates currently available to the Company (see Note 11). Discount rates used to measure the fair value of the DEG Vietnam Loan are based on quoted swap rates. As of June 30, 2020, the carrying value of the DEG Vietnam Loan was $7,500 as compared to an estimated fair value of $7,694. As of December 31, 2019, the carrying value of the DEG Vietnam Loan was $8,750 as compared to an estimated fair value of $8,785.

Note 15 – Equity

In December 2016, the Board of Directors of Gentherm Incorporated ("Board of Directors") authorized a three-year, $100 million stock repurchase program ("Stock Repurchase Program"). In June 2018, the Board of Directors authorized an increase of the Stock Repurchase Program to $300 million, and extended the Stock Repurchase Program until December 2020. In March 2020, the Company suspended its Stock Repurchase Program in order to preserve liquidity. However, repurchases under the Stock Repurchase Program may resume at management's discretion and may be made, from time to time, in amounts and at prices the Company deems appropriate, subject to market conditions, applicable legal requirements, debt covenants and other considerations. Any such repurchases may be executed using open market purchases, privately negotiated agreements or other transactions. Repurchases under the Stock Repurchase Program may be funded from cash on hand, available borrowings or proceeds from potential debt or other capital markets sources. During the six months ended June 30, 2020, the Company repurchased approximately $9.1 million of shares with an average price paid per share of $36.93 and, as of June 30, 2020, has a remaining repurchase authorization of approximately $74.2 million. The Company did not make any repurchases under the Stock Repurchase Program during the three months ended June 30, 2020.

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

Note 16 – Reclassifications Out of Accumulated Other Comprehensive Income (Loss)

Reclassification adjustments and other activities impacting accumulated other comprehensive income (loss) during the three and six months ended June 30, 2020 and 2019 were as follows:

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

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

	Defined Benefit Pension Plans	Foreign Currency Translation Adjustments	Foreign Currency Hedge Derivatives	Total
Balance at March 31, 2019	$ (2,339)	$ (41,408)	$ 595	$ (43,152)
Other comprehensive income before reclassifications	—	3,477	475	3,952
Income tax effect of other comprehensive income (loss) before reclassifications	—	3	(104)	(101)
Amounts reclassified from accumulated other comprehensive loss into net income	—	—	(178) a	(178)
Income taxes reclassified into net income	—	—	39	39
Net current period other comprehensive income	—	3,480	232	3,712
Balance at June 30, 2019	$ (2,339)	$ (37,928)	$ 827	$ (39,440)

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

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

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

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

	Defined Benefit Pension Plans	Foreign Currency Translation Adjustments	Foreign Currency Hedge Derivatives	Total
Balance at December 31, 2018	$ (2,339)	$ (37,157)	$ (4)	$ (39,500)
Other comprehensive (loss) income before reclassifications	—	(597)	1,192	595
Income tax effect of other comprehensive loss before reclassifications	—	(174)	(260)	(434)
Amounts reclassified from accumulated other comprehensive loss into net income	—	—	(129) a	(129)
Income taxes reclassified into net income	—	—	28	28
Net current period other comprehensive (loss) income	—	(771)	831	60
Balance at June 30, 2019	$ (2,339)	$ (37,928)	$ 827	$ (39,440)

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

The Company expects all of the existing gains and losses related to foreign currency hedge derivatives reported in accumulated other comprehensive loss as of June 30, 2020 to be reclassified into earnings during the next twelve months. See Note 13 for additional information about derivative financial instruments and the effects from reclassification to net (loss) income.

Note 17 – Commitments and Contingencies

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

Product Liability and Warranty Matters

The Company accrues warranty obligations for products sold based on management estimates of future failure rates and current claim cost experience, with support from the sales, engineering, quality and legal functions. Using historical information available to the Company, including claims already filed by customers, the warranty accrual is adjusted quarterly to reflect management's best estimate of future claims. The Company maintains liability insurance coverage at levels based on commercial norms and historical claims experience. The Company can provide no assurances that it will not experience material claims in the future or that it will not incur significant costs to defend such claims.

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

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Balance at beginning of the period	$ 4,596	$ 4,514
Warranty claims paid	(1,624)	(355)
Warranty expense for products shipped during the period	842	1,226
Adjustments to warranty estimates from prior periods	(942)	(419)
Adjustments due to currency translation	(20)	10
Balance at end of period	$ 2,852	$ 4,976

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q (this "Report") contains forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements represent our goals, beliefs, plans and expectations about our prospects for the future and other future events, such as the impact of the COVID-19 pandemic on our financial statements, liquidity, and business as well as the global economy, the amount of borrowing availability under the Amended Credit Agreement and the sufficiency of our cash balances and cash generated from operating, investing and financing activities for our future liquidity and capital resource needs, our ability to finance sufficient working capital and our ability to execute our strategic plan and Manufacturing Footprint Rationalization restructuring plan. Reference is made in particular to forward-looking statements included in this "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations". Such statements may be identified by the use of forward-looking terminology such as "may", "will", "expect", "believe", "estimate", "anticipate", "intend", "continue", or similar terms, variations of such terms or the negative of such terms. The forward-looking statements included in this Report are made as of the date hereof or as of the date specified herein and are based on management's current expectations and beliefs. Such statements are subject to a number of assumptions, risks, uncertainties and other factors, which are set forth in "Item 1A. Risk Factors" and elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2019, Part II "Item 1A. Risk Factors" in this Report and subsequent reports filed with the Securities and Exchange Commission, and which could cause actual results to differ materially from that described in the forward-looking statements. In addition, such forward-looking statements do not include the potential impact of any business combinations, acquisitions, divestitures, strategic investments and other significant transactions that may be completed after the date hereof, each of which may present material risks to the Company's business and financial results. Except as required by law, we expressly disclaim any obligation or undertaking to update any forward-looking statements to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

The following discussion and analysis should be read in conjunction with, and is qualified in its entirety by, our consolidated condensed financial statements and related notes thereto included elsewhere in this Report and our consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2019.

Overview

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

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

Recent Trends and Economic Conditions

The COVID-19 pandemic has significantly disrupted global economic activity, including the automotive market. The COVID-19 pandemic began in China around December 2019. The impact of the outbreak quickly expanded beyond China and its surrounding region, and has significantly and adversely impacted the entire global economy and automotive market in 2020. During the first quarter of 2020, customer plants in North America and Europe were closed beginning in the second half of March due to the pandemic. This resulted in temporary, partial closures of several of our manufacturing facilities in North America and Europe by the end of March 2020. Customer plants and our manufacturing facilities in Asia were closed for several weeks in February and operated at reduced volumes in March, resuming production to near full capacity by the end of the first quarter, which continued throughout the second quarter. However, during the second quarter of 2020, our manufacturing facilities in North America and Europe remained closed until the last week in May due to the pandemic, gradually resuming production to near full capacity in North America, and to about 70% capacity in Europe by the end of June. The COVID-19 pandemic continued to have a significant impact on global markets in the second quarter of 2020, driven by supply chain and production disruptions, workforce restrictions, travel restrictions and reduced consumer spending, among other factors, which continues to have significant negative impacts on Gentherm's financial performance, and which may cause the Company to experience continued disruptions that could adversely impact its operations. As the Company ramps up production and brings employees back to work, it has implemented additional health and safety precautions and protocols in response to the pandemic and government guidelines to help ensure the safety and health of all its employees, and it continues to assess and update business continuity plans in the context of this pandemic.

According to the forecasting firm IHS Markit (July 2020 release), global light vehicle production was 12.3 million units in the second quarter of 2020, down 44.3% from 22.1 million units in the second quarter of 2019. For the first half of 2020, global light vehicle production was 30.1 million units, down 33.3% from 45.1 million units in the first half of 2019. With respect to our key markets, IHS Markit (July 2020 release) reports that actual light vehicle production volumes in North America for the second quarter of 2020 were 1.3 million units compared to 4.2 million units in the second quarter of 2019, a decrease of 69.0%, and light vehicle production volumes in Europe were 2.1 million units for the second quarter of 2020 compared to 5.6 million units in the second quarter of 2019, a decrease of 62.5%. Actual light vehicle production volumes in Japan/Korea were 2.0 million units in the second quarter of 2020 compared to 3.4 million units in the second quarter of 2019, a decrease of 41.2%. Actual light vehicle production volumes in China were 6.0 million units in the second quarter of 2020 compared to 5.5 million units in the second quarter of 2019, an increase of 9.1%.

During the second quarter of 2020, Gentherm's product revenue for our Automotive segment significantly declined in North America and Europe compared to the second quarter of 2019 due to the closure of customer plants and our manufacturing facilities for the majority of the quarter. In the second quarter of 2020, product revenue for our Medical segment increased from the second quarter of 2019 primarily due to increased demand for our Blanketrol® solutions to support temperature management of COVID-19 patients.

IHS Markit (July 2020 release) forecasts of light vehicle production volumes for the full year 2020 is 69.5 million units, down 21.8% from full-year 2019 light vehicle production volumes of 88.9 million. Forecasted light vehicle production volumes are a component of the data we use in forecasting future business. However, due to differences in regional product mix at our manufacturing facilities, as well as releases from customers on specific vehicle programs, our future forecasted results do not always directly correlate with the global and/or regional light vehicle production forecasts of IHS Markit or other third-party sources.

The COVID-19 pandemic significantly adversely affected our operations, results of operations, financial condition, cash flows, liquidity and stock price in the first half of 2020, and such impact may continue for the remainder of 2020. There remains substantial uncertainty regarding the global economic impact of, and the speed and shape of the recovery from, the COVID-19 pandemic, especially for the global automotive industry. In light of the substantial economic and financial impact of the COVID-19 pandemic to date and resulting uncertainties for the remainder of 2020, the Company has taken significant actions to address its liquidity position. In March 2020, the Company borrowed an additional $169 million under its revolving credit facility to increase its cash position and provide additional financial flexibility. During the second quarter of 2020, the Company repaid a net amount of $32.8 million of the amounts outstanding under the Amended Credit Agreement. In addition, the Company has been prudently addressing its day-to-day operations, including reducing expenses, inventory levels and capital spending and deferring a portion of 2020 base salaries generally for salaried employees. In the second half of 2020, as we ramp back up our production, we expect to see a short-term decline in our cash flows due to an increase in our working capital until customer payments are received later in the year. The Company expects that borrowing availability as of the end of the third quarter of 2020 (and potentially thereafter) will be less than as of the end of the second quarter of 2020. See "—Liquidity and Capital Resources" below for additional information.

New Business Awards

We believe that innovation is an important element to gaining market acceptance of our products and strengthening our market position. During the second quarter of 2020, we estimate that we secured approximately $300 million of automotive new business awards. Automotive new business awards represent the aggregate projected lifetime revenue of new awards provided by customers to Gentherm in the applicable period, with the value based on the price and volume projections received from each customer as of the award date. Although automotive new business awards are not firm customer orders, we believe that new business awards are an indicator of future revenue. New business awards are not projections of revenue or future business as of June 30, 2020, the date of this Report or any other date. Customer projections regularly change over time and we do not update our calculation of any new business award after the date initially communicated. Automotive new business awards in the second quarter 2020 also do not reflect, in particular, the impact of the COVID-19 pandemic on future business. Revenues resulting from automotive new business awards also are subject to additional risks and uncertainties as described under “Forward-Looking Statements” above.

Divestitures

Divestiture of Cincinnati Sub-Zero industrial chamber business (“CSZ-IC”)

On February 1, 2019, the Company completed the divestiture of CSZ-IC and the former Cincinnati Sub-Zero headquarters facility to Weiss Technik North America, Inc. for total cash proceeds of $47.5 million, including $2.5 million of cash proceeds placed into an escrow account as partial security for the Company’s obligations under the sales agreement. The Company recognized a $5.0 million pre-tax gain on the sale of CSZ-IC during the six months ended June 30, 2019. Cash proceeds of $2.5 million remain in an escrow account pending resolution of claims.

Divestiture of Gentherm Global Power Technologies (“GPT”)

On October 1, 2019, the Company completed the divesture of GPT for a nominal amount.

Acquisitions

Acquisition of Stihler Electronic GmbH (“Stihler”)

On April 1, 2019, Gentherm acquired Stihler, a leading developer and manufacturer of patient and blood temperature management systems, for a purchase price of $15.5 million, net of cash acquired and including $0.7 million of contingent consideration to be paid upon achievement of a milestone that must be completed by September 2020. In addition, the purchase agreement includes a contingent payment of $0.7 million to be paid if the selling shareholder remains employed by Stihler through December 2020, which will be recorded as a component of selling, general and administrative expenses ratably over the service period. The results of operations of Stihler are reported within the Company’s Industrial segment from the date of acquisition.

Restructuring

Manufacturing Footprint Rationalization

On September 23, 2019, the Company committed to a restructuring plan to improve the Company’s manufacturing productivity and rationalize its footprint. Under this plan, the Company will relocate and consolidate certain existing automotive manufacturing and, as a result, reduce the number of plants by two. During the second quarter of 2020, due to circumstances arising from the COVID-19 pandemic, management adjusted the plan to proactively manage its cash position. Adjustments to the plan have resulted in changes to the estimated number of employee separations and total costs to execute the plan. During the three and six months ended June 30, 2020, the Company recognized expense of $(1.7) million and $(1.4) million, respectively, for employee separation costs. Additionally, the Company recognized $0.2 million and $0.5 million, respectively, of accelerated depreciation and other costs during such periods. The net activity is related to a reduction in the estimates of previously recognized employee separation costs. The Company has recorded approximately $6.0 million of restructuring expenses since the inception of this program.

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

See Note 4, "Restructuring", to our consolidated condensed financial statements included in this Report for information about our restructuring activities.

GPT and CSZ-IC Restructuring

During 2019, the Company completed its plan to eliminate non-core areas of investment through the divestitures of CSZ-IC and GPT. Costs directly associated with the divestiture process were classified as restructuring expense. During the three and six months ended June 30, 2019, the Company recognized $0 and $0.3 million of employee separation costs, respectively, and less than $0.1 million and $0.8 million of other related costs, respectively.

See Note 4, "Restructuring", to our consolidated condensed financial statements included in this Report for information about our restructuring activities.

Other Restructuring Activities

As part of the Company's continued efforts to optimize its cost structure, the Company has undertaken several discrete restructuring actions. During the three and six months ended June 30, 2020, the Company recognized $0.9 million and $4.0 million of employee separation costs, respectively, and less than $0.1 million and $0.2 million of other related costs, respectively. During the three and six months ended June 30, 2019, the Company recognized $0.9 million and $1.3 million of employee separation costs, respectively, and $0.3 million and $0.3 million of other related costs, respectively. In addition, during the three and six months ended June 30, 2019, the Company recognized $0 and $0.4 million of asset impairment loss. These restructuring expenses were primarily associated with restructuring actions focused on the rotation of our manufacturing footprint to lower cost locations and the reduction of global overhead costs. These discrete restructuring actions are expected to approximate the total cumulative costs for those actions. The Company will continue to explore opportunities to improve its future profitability and competitiveness. These actions may result in the recognition of additional restructuring charges that could be material

See Note 4, "Restructuring", to our consolidated condensed financial statements included in this Report for information about our restructuring activities.

Stock Repurchase Program

In December 2016, the Board of Directors authorized a three-year, $100.0 million stock repurchase program. In June 2018, our Board of Directors authorized an increase in the stock repurchase program to $300.0 million and extended the stock repurchase program until December 2020. In March 2020, the Company suspended its share repurchase program in order to preserve liquidity. However, repurchases under the stock repurchase program may resume at management's discretion and may be made, from time to time, in amounts and at prices the Company deems appropriate, subject to market conditions, applicable legal requirements, debt covenants and other considerations. During the six months ended June 30, 2020, we repurchased approximately $9.1 million of shares and have a remaining repurchase authorization of approximately $74.2 million as of June 30, 2020. We suspended our stock repurchase program to preserve liquidity and did not make any repurchases under the stock repurchase program during the three months ended June 30, 2020.

See Note 15, "Equity", to our consolidated condensed financial statements included in this Report for information about our stock repurchase program.

Reportable Segments

The Company has two reportable segments for financial reporting purposes: Automotive and Industrial. See Note 6, "Segment Reporting", to the consolidated condensed financial statements included in this Report for a description of our reportable segments as well as their proportional contribution to the Company's reported product revenues and operating income. The financial information used by our chief operating decision maker to assess operating performance and allocate resources is based on these reportable segments.

Consolidated Results of Operations

The results of operations for the three and six months ended June 30, 2020 and 2019, in thousands, were as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	**2019**	**Favorable / (Unfavorable)**	**2020**	**2019**	**Favorable / (Unfavorable)**
Product revenues	$ 136,061	$ 243,326	$ (107,265)	$ 364,674	$ 501,247	$ (136,573)
Cost of sales	109,326	170,612	61,286	271,872	353,226	81,354
Gross margin	26,735	72,714	(45,979)	92,802	148,021	(55,219)
Operating expenses:						
Net research and development expenses	15,341	19,255	3,914	33,101	38,152	5,051
Selling, general and administrative expenses	21,889	32,171	10,282	47,729	64,822	17,093
Restructuring expenses	(598)	1,231	1,829	3,168	3,145	(23)
Total operating expenses	36,632	52,657	16,025	83,998	106,119	22,121
Operating (loss) income	(9,897)	20,057	(29,954)	8,804	41,902	(33,098)
Interest expense, net	(1,361)	(1,240)	(121)	(2,109)	(2,608)	499
Foreign currency loss	(1,741)	(804)	(937)	(2,679)	(601)	(2,078)
Gain on sale of business	—	—	—	—	4,970	(4,970)
Impairment loss	—	(9,885)	9,885	—	(20,369)	20,369
Other income	2,882	171	2,711	3,146	314	2,832
(Loss) earnings before income tax	(10,117)	8,299	(18,416)	7,162	23,608	(16,446)
Income tax expense	205	5,548	5,343	5,611	12,443	6,832
Net (loss) income	$ (10,322)	$ 2,751	$ (13,073)	$ 1,551	$ 11,165	$ (9,614)

Product revenues by product category, in thousands, for the three and six months ended June 30, 2020 and 2019, were as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	**2019**	**% Change**	**2020**	**2019**	**% Change**
Climate Control Seats (CCS)	$ 49,879	$ 88,437	(43.6)%	$ 132,407	$ 182,791	(27.6)%
Seat Heaters	33,342	73,628	(54.7)%	97,874	147,548	(33.7)%
Electronics	13,488	11,454	17.8%	23,864	24,306	(1.8)%
Automotive Cables	9,833	22,206	(55.7)%	31,973	45,955	(30.4)%
Steering Wheel Heaters	7,980	16,029	(50.2)%	27,215	32,999	(17.5)%
Battery Thermal Management (BTM)	6,653	8,896	(25.2)%	17,862	19,641	(9.1)%
Other Automotive	3,211	9,050	(64.5)%	9,663	18,817	(48.6)%
Subtotal Automotive	124,386	229,700	(45.8)%	340,858	472,057	(27.8)%
Medical	11,675	9,881	18.2%	23,816	18,068	31.8%
GPT	—	3,745	(100.0)%	—	7,704	(100.0)%
CSZ-IC	—	—	—	—	3,418	(100.0)%
Subtotal Industrial	11,675	13,626	(14.3)%	23,816	29,190	(18.4)%
Total Company	136,061	243,326	(44.1)%	364,674	501,247	(27.2)%

<u>*Product Revenues*</u>

Below is a summary of our product revenues, in thousands, for the three months ended June 30, 2020 and 2019:

	Three Months Ended June 30,			Variance Due To:			
	2020	**2019**	**Favorable / (Unfavorable)**	**Volume**	**FX**	**Pricing/Other**	**Total**
Product revenues	$ 136,061	$ 243,326	$ (107,265)	$ (99,844)	$ (2,231)	$ (5,190)	$ (107,265)

Product revenues for the three months ended June 30, 2020 decreased 44.1% as compared to the three months ended June 30, 2019. The decrease in product revenues is primarily related to reduced volumes in our Automotive segment that we believe resulted substantially from the impact of the COVID-19 pandemic. Product revenues were also negatively impacted by foreign currency impacts, primarily related to the Korean Won, Chinese Renminbi and Euro. The decrease in product revenues included in Variance Due To Pricing/Other above is primarily attributable to the divestitures of GPT on October 1, 2019 and decreases in customer pricing, partially offset by the acquisition of Stihler on April 1, 2019, and growth in Medical primarily due to increased demand for our Blanketrol® solutions to support temperature management of COVID-19 patients.

Below is a summary of our product revenues, in thousands, for the six months ended June 30, 2020 and 2019:

	Six Months Ended June 30,			Variance Due To:			
	2020	2019	Favorable / (Unfavorable)	Volume	FX	Pricing/Other	Total
Product revenues	$ 364,674	$ 501,247	$ (136,573)	$ (117,037)	$ (5,380)	$ (14,156)	$ (136,573)

Product revenues for the six months ended June 30, 2020 decreased 27.2% as compared to the six months ended June 30, 2019. The decrease in product revenues is primarily related to reduced volumes in our Automotive segment that we believe resulted substantially from the impact of the COVID-19 pandemic. Product revenues were also negatively impacted by foreign currency impacts, primarily related to the Euro, Korean Won and Chinese Renminbi. The decrease in product revenues included in Variance Due To Pricing/Other above is primarily attributable to the divestitures of CSZ-IC and GPT and decreases in customer pricing, partially offset by the acquisition of Stihler on April 1, 2019 and growth in Medical primarily due to increased demand for our Blanketrol® solutions to support temperature management of COVID-19 patients.

Cost of Sales

Below is a summary of our cost of sales and gross margin, in thousands, for the three months ended June 30, 2020 and 2019:

	Three Months Ended June 30,			Variance Due To:				
	2020	2019	Favorable / (Unfavorable)	Volume	Operational Performance	FX	Other	Total
Cost of sales	$ 109,326	$ 170,612	$ 61,286	$ 52,153	$ (2,890)	$ 2,640	$ 9,383	$ 61,286
Gross margin	26,735	72,714	(45,979)	$ (47,691)	$ (6,395)	$ 409	$ 7,698	$ (45,979)
Gross margin - Percentage of product revenues	19.6%	29.9%						

Cost of sales for the three months ended June 30, 2020 decreased 35.9% as compared to the three months ended June 30, 2019. The decrease in cost of sales is primarily related to the impact of the COVID-19 pandemic for our Automotive segment. Favorable foreign currency impacts are primarily attributable to the Mexican Peso, Euro, Ukrainian Hryvnia and Chinese Renminbi. The Operational Performance impact is primarily attributable to a decline in manufacturing productivity related to the COVID-19 pandemic, partially offset by a decrease in material costs. The decrease in cost of sales included in Variance Due to Other above is due to the following items:

- $2.6 million of decrease attributable to lower factory costs in North America and Europe related to the temporary closure of our manufacturing facilities during the second quarter due to the COVID-19 pandemic;
- $2.5 million of decrease attributable to the divested business of GPT;
- $1.8 million of decrease due to lower labor costs due to COVID-19 related furloughs at our manufacturing facilities, as well as social contributions received in China; and
- $0.4 million of increase attributable to Medical.

Below is a summary of our cost of sales and gross margin, in thousands, for the six months ended June 30, 2020 and 2019:

	Six Months Ended June 30,			Variance Due To:				
	2020	2019	Favorable / (Unfavorable)	Volume	Operational Performance	FX	Other	Total
Cost of sales	$ 271,872	$ 353,226	$ 81,354	$ 61,879	$ 3,274	$ 4,394	$ 11,807	$ 81,354
Gross margin	92,802	148,021	(55,219)	$ (55,158)	$ (5,711)	$ (986)	$ 6,636	$ (55,219)
Gross margin - Percentage of product revenues	25.4%	29.5%						

Cost of sales for the six months ended June 30, 2020 decreased 23.0% as compared to the six months ended June 30, 2019. The decrease in cost of sales is primarily related to the impact of the COVID-19 pandemic for our Automotive segment. Favorable foreign currency impacts are primarily attributable to the Mexican Peso, Euro, Ukrainian Hryvnia and Chinese Renminbi. The operational performance improvements are primarily attributable to decrease in material costs. The decrease in cost of sales included in Variance Due to Other above is due to the following items:

- $7.7 million of decrease attributable to divested businesses (CSZ-IC and GPT);
- $2.6 million of decrease attributable to lower factory costs in North America and Europe during the second quarter of 2020 related to the temporary closure of our manufacturing facilities due to the COVID-19 pandemic;
- $2.0 million of increase attributable to Medical, including the impact of the acquisition of Stihler on April 1, 2019; and
- $1.8 million of decrease due to lower labor costs in the second quarter of 2020 due to COVID-19 related furloughs at our manufacturing facilities, as well as social contributions received in China.

Net Research and Development Expenses

Below is a summary of our net research and development expenses, in thousands, for the three months ended June 30, 2020 and 2019:

	Three Months Ended June 30,		
	2020	2019	Favorable / (Unfavorable)
Research and development expenses	$ 19,377	$ 24,340	$ 4,963
Reimbursed research and development expenses	(4,036)	(5,085)	(1,049)
Net research and development expenses	$ 15,341	$ 19,255	$ 3,914
Percentage of product revenues	11.3%	7.9%	

Net research and development expenses for the three months ended June 30, 2020 decreased 20.3% as compared to the three months ended June 30, 2019. The decrease in net research and development expenses is primarily related to reduced project-related spending due to cost reduction initiatives and lower variable compensation expense, partially offset by lower reimbursements for costs to design, develop and purchase tooling pursuant to customer contracts.

Below is a summary of our net research and development expenses, in thousands, for the six months ended June 30, 2020 and 2019:

	Six Months Ended June 30,		
	2020	2019	Favorable / (Unfavorable)
Research and development expenses	$ 39,914	$ 46,948	$ 7,034
Reimbursed research and development expenses	(6,813)	(8,796)	(1,983)
Net research and development expenses	$ 33,101	$ 38,152	$ 5,051
Percentage of product revenues	9.1%	7.6%	

Net research and development expenses for the six months ended June 30, 2020 decreased 13.2% as compared to the six months ended June 30, 2019. The decrease in net research and development expenses is primarily related to reduced project-related spending due to cost reduction initiatives and lower variable compensation expense, partially offset by lower reimbursements for costs to design, develop and purchase tooling pursuant to customer contracts.

Selling, General and Administrative Expenses

Below is a summary of our selling, general and administrative expenses, in thousands, for the three months ended June 30, 2020 and 2019:

	Three Months Ended June 30,		
	2020	**2019**	**Favorable / (Unfavorable)**
Selling, general and administrative expenses	$ 21,889	$ 32,171	$ 10,282
Percentage of product revenues	16.1%	13.2%	

Selling, general and administrative expenses for the three months ended June 30, 2020 decreased 32.0% as compared to the three months ended June 30, 2019. The decrease in selling, general and administrative expenses is primarily related to the impacts of the divestiture of GPT, lower variable compensation expense, as well as the impact of cost reduction initiatives and a reduction in travel expenses.

Below is a summary of our selling, general and administrative expenses, in thousands, for the six months ended June 30, 2020 and 2019:

	Six Months Ended June 30,		
	2020	**2019**	**Favorable / (Unfavorable)**
Selling, general and administrative expenses	$ 47,729	$ 64,822	$ 17,093
Percentage of product revenues	13.1%	12.9%	

Selling, general and administrative expenses for the six months ended June 30, 2020 decreased 26.4% as compared to the six months ended June 30, 2019. The decrease in selling, general and administrative expenses is primarily related to the impacts of divested businesses (CSZ-IC and GPT), lower variable compensation expense, lower stock compensation expense as a result of mark-to-market revaluation of stock appreciation rights in 2020, the absence of CFO transition costs in 2020, as well as the impact of cost reduction initiatives and a reduction in travel expenses.

Restructuring Expenses

Below is a summary of our restructuring expenses, in thousands, for the three months ended June 30, 2020 and 2019:

	Three Months Ended June 30,		
	2020	**2019**	**Favorable / (Unfavorable)**
Restructuring expenses	$ (598)	$ 1,231	$ 1,829

Restructuring expenses primarily relate to the Manufacturing Footprint Rationalization restructuring program and other discrete restructuring actions focused on the rotation of our manufacturing footprint to lower cost locations and the reduction of global overhead expenses. During the second quarter of 2020, due to circumstances arising from the COVID-19 pandemic, management adjusted the Manufacturing Footprint Rationalization restructuring plan to proactively manage its cash position.

During the three months ended June 30, 2020, the Company recognized expenses of $(0.8) million for employee separation costs and $0.2 million of accelerated depreciation and other costs. The net activity during the three months ended June 30, 2020 is primarily related to a reduction in the estimates of previously recognized employee separation costs for the Manufacturing Footprint Rationalization restructuring program. During the three months ended June 30, 2019, the Company recognized expenses of $0.9 million for employee separation costs and $0.3 million of other related costs.

Below is a summary of our restructuring expenses, in thousands, for the six months ended June 30, 2020 and 2019:

	Six Months Ended June 30,		
	2020	2019	Favorable / (Unfavorable)
Restructuring expenses	$ 3,168	$ 3,145	$ (23)

Restructuring expenses primarily relate to the Manufacturing Footprint Rationalization restructuring program and other discrete restructuring actions focused on the rotation of our manufacturing footprint to lower cost locations and the reduction of global overhead expenses. During the six months ended June 30, 2020, the Company recognized expenses of $2.5 million for employee separation costs, $0.4 million of accelerated depreciation and $0.3 million of other related costs. During the six months ended June 30, 2019, the Company recognized expenses of $1.5 million for employee separation costs, $0.4 million of asset disposal costs and $1.3 million of other related costs.

See Note 4, "Restructuring" of the consolidated condensed financial statements included in this Report for additional information.

Interest Expense

Below is a summary of our interest expense, in thousands, for the three months ended June 30, 2020 and 2019:

	Three Months Ended June 30,		
	2020	2019	Favorable / (Unfavorable)
Interest expense, net	$ (1,361)	$ (1,240)	$ (121)

Below is a summary of our interest expense, in thousands, for the six months ended June 30, 2020 and 2019:

	Six Months Ended June 30,		
	2020	2019	Favorable / (Unfavorable)
Interest expense, net	$ (2,109)	$ (2,608)	$ 499

See Note 11, "Debt" of the consolidated condensed financial statements included in this Report for additional information.

Foreign Currency (Loss) *Gain*

Below is a summary of our foreign currency (loss) gain, in thousands, for the three months ended June 30, 2020 and 2019:

	Three Months Ended June 30,		
	2020	2019	Favorable / (Unfavorable)
Foreign currency loss	$ (1,741)	$ (804)	$ (937)

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

Foreign currency gain for the three months ended June 30, 2019 included net realized foreign currency loss of $0.7 million and net unrealized foreign currency loss of $0.1 million.

Below is a summary of our foreign currency (loss) gain, in thousands, for the six months ended June 30, 2020 and 2019:

	Six Months Ended June 30,		
	2020	2019	Favorable / (Unfavorable)
Foreign currency loss	$ (2,679)	$ (601)	$ (2,078)

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

Foreign currency gain for the three months ended June 30, 2019 included net realized foreign currency loss of $1.5 million and net unrealized foreign currency gain of $0.9 million.

Gain on Sale of Business

Below is a summary of our gain on sale of business, in thousands, for the six months ended June 30, 2020 and 2019:

	Six Months Ended June 30,		
	2020	2019	Favorable / (Unfavorable)
Gain on sale of business	$ —	$ 4,970	$ (4,970)

On February 1, 2019, as part of the Company's initiative to eliminate investments in non-core businesses, we completed the sale of CSZ-IC to Weiss Technik North America, Inc. The Company recognized a pre-tax gain of $5.0 million on the sale of CSZ-IC during the six months ended June 30, 2019. The Company did not recognize a gain on sale of business in the six months ended June 30, 2020.

Impairment Loss

Below is a summary of our impairment loss, in thousands, for the three months ended June 30, 2020 and 2019:

	Three Months Ended June 30,		
	2020	2019	Favorable / (Unfavorable)
Impairment loss	$ —	$ (9,885)	$ 9,885

During the three months ended June 30, 2019, the Company recorded an impairment loss of $9.9 million associated with the divestiture of GPT. See Note 3, "Acquisitions and Divestitures" of the consolidated condensed financial statements included in this Report for additional information.

Below is a summary of our impairment loss, in thousands, for the six months ended June 30, 2020 and 2019:

	Six Months Ended June 30,		
	2020	2019	Favorable / (Unfavorable)
Impairment loss	$ —	$ (20,369)	$ 20,369

During the six months ended June 30, 2019, the Company recorded an impairment loss of $20.4 million associated with the divestiture of GPT. See Note 3, "Acquisitions and Divestitures" of the consolidated condensed financial statements included in this Report for additional information.

Other income

Below is a summary of our other income, in thousands, for the three months ended June 30, 2020 and 2019:

	Three Months Ended June 30,		
	2020	2019	Favorable / (Unfavorable)
Other income	$ 2,882	$ 171	$ 2,711

The increase in other income is primarily due to the gain on sale of certain patents from a non-core business in June 2020. See Note 10, "Goodwill and Other Intangibles" of the consolidated condensed financial statements included in this Report for additional information.

Below is a summary of our other income, in thousands, for the six months ended June 30, 2020 and 2019:

	Six Months Ended June 30,		
	2020	2019	Favorable / (Unfavorable)
Other income	$ 3,146	$ 314	$ 2,832

The increase in other income is primarily due to the gain on sale of certain patents from a non-core business in June 2020. See Note 10, "Goodwill and Other Intangibles" of the consolidated condensed financial statements included in this Report for additional information.

Income Tax Expense

Below is a summary of our income tax expense, in thousands, for the three months ended June 30, 2020 and 2019:

	Three Months Ended June 30,		
	2020	2019	Favorable / (Unfavorable)
Income tax expense	$ 205	$ 5,548	$ 5,343

Income tax expense was $0.2 million for the three months ended June 30, 2020, on loss before income tax of $10.1 million, representing an effective tax rate of (2.0)%. The tax amount included the effect of the settlement and closure of multi-year international tax audits of $3.4 million. Adjusted for the audit impacts, the effective tax rate was 31.4%. The effective tax rate differed from the U.S. Federal statutory rate of 21% primarily due to the international provisions of the U.S. tax law, such as global intangible low-tax income ("GILTI"), partly offset by certain intercompany transactions which disproportionately benefited lower tax rate jurisdictions.

Income tax expense was $5.5 million for the three months ended June 30, 2019, on earnings before income tax of $8.3 million, representing an effective tax rate of 66.9%. The pre-tax earnings amount included the non-deductible impairment loss of $9.9 million. Adjusted for the impairment loss, the effective tax rate was 30.5% for the three months ended June 30, 2019. The effective tax rate differed from the U.S. Federal statutory rate of 21% primarily due to the international provisions of the U.S. tax law, such as GILTI, partly offset by certain intercompany transactions which disproportionately benefited lower tax rate jurisdictions.

Below is a summary of our income tax expense, in thousands, for the six months ended June 30, 2020 and 2019:

	Six Months Ended June 30,		
	2020	2019	Favorable / (Unfavorable)
Income tax expense	$ 5,611	$ 12,443	$ 6,832

Income tax expense was $5.6 million for the six months ended June 30, 2020, on earnings before income tax of $7.2 million, representing an effective tax rate of 78.4%. The tax amount included the effect of the settlement and closure of multi-year international tax audits of $3.4 million. Adjusted for the audit impacts, the effective tax rate was 31.1%. The effective tax rate differed from the U.S. Federal statutory rate of 21% primarily due to the international provisions of the U.S. tax law, such as GILTI, partly offset by certain intercompany transactions which disproportionately benefited lower tax rate jurisdictions.

Income tax expense was $12.4 million for the six months ended June 30, 2019, on earnings before income tax of $23.6 million, representing an effective tax rate of 52.7%. The pre-tax earnings amount included the non-deductible impairment loss of $20.4 million. Adjusted for the impairment loss, the effective tax rate was 28.3% for the six months ended June 30, 2019. The effective tax rate differed from the U.S. Federal statutory rate of 21% primarily due to the international provisions of the U.S. tax law, such as GILTI, partly offset by certain intercompany transactions which disproportionately benefited lower tax rate jurisdictions.

Changes in U.S. federal or foreign tax laws and regulations, or their interpretation and application, including those with retroactive effect, could significantly impact our provision for income taxes, the amount of taxes payable, our deferred tax asset and liability balances, and shareholders' equity. The recently enacted CARES Act, together with earlier issued U.S. Internal Revenue Service guidance, provides for deferral of certain taxes. As permitted by the CARES Act, the Company expects to defer the payment of payroll taxes each quarter for the remainder of 2020 to be paid in the fourth quarters of 2021 and 2022. The Company is evaluating other potential tax benefits under the CARES Act and may be impacted by further government tax guidance or relief.

Liquidity and Capital Resources

Cash and Cash Flows

The Company historically has funded its liquidity needs primarily through cash flows from operating activities and equity and debt financings. Prior to the COVID-19 pandemic, we were focused on a capital allocation strategy within our strategic plan that included a targeted debt-to-earnings leverage ratio and using a portion of our cash flow for Common Stock repurchases. As of June 30, 2020, $74.2 million of availability remained under the stock repurchase program.

In light of the significant economic uncertainty and financial impact of the COVID-19 pandemic, the Company has taken significant actions to address its liquidity. First, the Company has been prudently addressing its day-to-day operations, including reducing expenses, inventory levels and capital spending. In addition, effective May 1, 2020, the Company implemented base salary deferrals until December 31, 2020, including a 30-40% deferral at the Executive level and a 20% deferral for other salaried employees, to control expenses and conserve cash. For U.S. employees, the accumulated deferred base salary will generally be paid on or before March 15, 2021 notwithstanding any termination of employment for any reason prior to payment. The Company also revised its non-employee director compensation program for directors elected at the 2020 annual meeting of shareholders, with all compensation being paid in restricted stock for one year. Further, the Company suspended its stock repurchase program in the first quarter of 2020 to preserve liquidity and did not make any repurchases under the stock repurchase program during the three months ended June 30, 2020. Although the Company intends to continue prudently addressing its day-to-day operations to preserve liquidity, as we ramp back up our production in the second half of 2020, we expect to see a short-term decline in our cash flows due to an increase in our working capital until customer payments are received later in the year.

Also, in March 2020, the Company increased its borrowings under the Amended Credit Agreement by $169.5 million as a safeguard to increase its cash position and provide additional financial flexibility. The proceeds have been and will continue to be used for working capital and for other general corporate purposes permitted by the Amended Credit Agreement. During the second quarter of 2020, the Company repaid a net amount of $32.8 million of the amounts outstanding under the Amended Credit Agreement. As of June 30, 2020, inclusive of the net new borrowings, $193.1 million was outstanding under the Amended Credit Agreement. Borrowing availability is subject to, among other things, the Company’s compliance with the minimum Consolidated Interest Coverage Ratio and Consolidated Leverage Ratio as of the end of any fiscal quarter. Based upon consolidated EBITDA for the trailing twelve months calculated for purposes of the Consolidated Leverage Ratio, $159.3 million remained available as of June 30, 2020 for additional borrowings under the Amended Credit Agreement subject to specified conditions that Gentherm currently satisfies. Subject to any amendment or waiver of the Consolidated Leverage Ratio from the lenders, the Company expects borrowing availability for at least the next twelve months will continue to be significantly less than the full amount of capacity available under the U.S. Revolving Note, and that borrowing availability as of the end of the third quarter of 2020 (and potentially thereafter) will be less than as of the end of the second quarter of 2020, due to the impact of the COVID-19 pandemic and related economic and industry conditions.

The Company may incur additional significant borrowing in the near term. The determination of additional borrowing amounts will be evaluated based upon the Company’s ongoing performance, the current economic and industry outlook and the desire to provide additional financial flexibility. The Company expects that its lenders will agree to an amendment or waiver to increase the borrowing availability if necessary.

Based on the Company’s current operating plan and the foregoing actions, management believes cash and cash equivalents at June 30, 2020, together with cash flows from operating activities, and borrowing available under our Amended Credit Agreement, are sufficient to meet operating and capital expenditure needs, and to service debt, for at least the next 12 months. However, as the impact of the COVID-19 pandemic on the economy and our operations evolves, and cash flows from operations decline, we may need to obtain alternative sources of capital, and we may finance additional liquidity needs in the future through one or more equity or debt offerings.

A continued worldwide disruption could materially affect our future access to sources of liquidity, and there can be no assurance that such capital will be available at all or on reasonable terms. Further, the extent to which the COVID-19 pandemic adversely affects our future financial performance and thus our cash flows will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the pandemic, its severity, the effectiveness of actions to contain the virus or treat its impact and how quickly and to what extent normal economic and operating conditions can resume. Even after the COVID-19 pandemic has subsided, we may continue to experience significant adverse impacts on our business, financial performance, financial condition, cash flows, liquidity and stock price for a lengthy period of time as a result of its global economic impact.

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

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Cash, cash equivalents and restricted cash at beginning of period	$ 52,948	$ 39,620
Cash provided by operating activities	50,227	40,408
Cash (used in) provided by investing activities	(9,580)	19,082
Cash provided by (used in) financing activities	115,978	(63,222)
Foreign currency effect on cash and cash equivalents	2,102	293
Cash, cash equivalents and restricted cash at end of period	$ 211,675	$ 36,181

Cash Flows From Operating Activities

We manage our cash, cash equivalents and restricted cash in order to fund operating requirements and preserve liquidity to take advantage of future business opportunities and for financial flexibility. The following table compares the cash flows from operating activities during the six months ended June 30, 2020 as compared to the six months ended June 30, 2019, in thousands:

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Change
Operating Activities:			
Net income	$ 1,551	$ 11,165	$ (9,614)
Non-cash adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	20,488	22,217	(1,729)
Deferred income taxes	(913)	3,070	(3,983)
Stock based compensation	3,909	3,291	618
Defined benefit pension plan income	(278)	(699)	421
Allowance for credit losses	605	545	60
Loss on sale of property and equipment	339	227	112
Operating lease expense	3,490	2,903	587
Impairment loss	—	20,369	(20,369)
Gain on sale of business	—	(4,970)	4,970
Gain on sale of patents	(1,978)	—	(1,978)
Net income before non-cash adjustments	27,213	58,118	(30,905)
Changes in operating assets and liabilities:			
Accounts receivable	37,805	(4,021)	41,826
Inventory	5,292	1,650	3,642
Other assets	2,888	276	2,612
Accounts payable	(17,753)	(9,528)	(8,225)
Other liabilities	(5,218)	(6,087)	869
Net cash provided by operating activities	$ 50,227	$ 40,408	$ 9,819

The following table highlights significant differences between the operating cash flows for the six months ended June 30, 2020 and 2019, in thousands:

Net cash provided by operating activities for the six months ended June 30, 2019	$ 40,408
Lower net income before changes in operating assets and liabilities	(30,905)
Changes in working capital, net	42,099
Changes in other assets and liabilities	(1,375)
Net cash provided by operating activities for the six months ended June 30, 2020	$ 50,227

The following table illustrates changes in working capital during the six months ended June 30, 2020, in thousands:

Working capital at December 31, 2019	$	217,159
Increase in cash, cash equivalents and restricted cash		159,225
Decrease in accounts receivable		(39,971)
Decrease in inventory		(5,161)
Decrease in tax receivables, net		(8,772)
Increase in other assets		2,000
Decrease in accounts payable		16,800
Decrease in accrued expenses and other liabilities		3,809
Foreign currency effect on working capital		(1,317)
Working capital at June 30, 2020	$	343,772

The following table highlights significant transactions that contributed to the increase in cash, cash equivalents and restricted cash during the six months ended June 30, 2020, in thousands:

Net cash provided by operating activities	$	50,227
Borrowing of debt		201,193
Repayments of debt		(81,830)
Cash paid for the repurchase of Common Stock		(9,092)
Purchases of property and equipment		(7,500)
Proceeds from the exercise of Common Stock options		6,178
Other items		(449)
Increase in cash, cash equivalents and restricted cash	$	158,727

Cash Flows From Investing Activities

Cash used in investing activities was $9.6 million during the six months ended June 30, 2020, primarily reflecting purchases of property and equipment of $7.5 million and the acquisition of intangible assets of $3.1 million.

Cash Flows From Financing Activities

Cash provided by financing activities was $116.0 million during the six months ended June 30, 2020, reflecting additional borrowings on the U.S. Revolving Note totaling $201.2 million partially offset by payments of principal on the U.S. Revolving Note totaling $81.8 million in aggregate. Borrowings under the Amended Credit Agreement mature on June 27, 2024. See Note 11, "Debt" of the consolidated condensed financial statements included in this Report for additional information. Cash was also paid during the six months ended June 30, 2020 for the repurchase of Common Stock totaling $9.1 million and for cancellations of restricted stock awards totaling $0.5 million, partially offset by proceeds from the exercise of Common Stock options totaling $6.2 million.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our consolidated condensed financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. For discussion of our significant accounting policies, see Note 2, "Summary of Significant Accounting Policies," to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2019. There have been no significant changes in our critical accounting policies or critical accounting estimates during the first half of 2020. We are not presently aware of any events or circumstances arising from the COVID-19 pandemic that would require us to update our estimates, assumptions or revise the carrying value of our assets or liabilities. Our estimates may change, however, as new events occur and additional information is obtained. As a result, actual results may differ significantly from our estimates, and any such differences may be material to our financial statements. For information on the impact of recently issued accounting pronouncements, see Note 2, "New Accounting Pronouncements" in the consolidated condensed financial statements included in this Report.

Off-Balance Sheet Arrangements

At June 30, 2020, we do not have any off-balance sheet arrangements that have, or are, in the opinion of management, reasonably likely to have, a current or future material effect on our financial condition or results of operations.

Effects of Inflation

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

The Company regularly enters into derivative contracts with the objective of managing its financial and operational exposure arising from these risks by offsetting gains and losses on the underlying exposures with gains and losses on the financial instruments used to hedge them. The maximum length of time over which we hedge our exposure to foreign currency exchange risks is one year. We had foreign currency derivative contracts with a notional value of $15.0 million and $14.4 million outstanding at June 30, 2020 and December 31, 2019, respectively.

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

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

Information related to the fair values of all derivative instruments in our consolidated condensed balance sheet as of June 30, 2020 is set forth in Note 13, “Financial Instruments” in the consolidated condensed financial statements included in this Report.

Interest Rate Sensitivity

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

	Expected Maturity Date							
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**Total**	**Fair Value**
Liabilities								
Long-Term Debt:								
Variable rate (€EUR)	$ —	$ —	$ —	$ —	$ 19,099	$ —	$ 19,099	$ 19,099
Variable interest rate as of June 30, 2020					1.50%		1.50%	
Variable rate ($USD)	$ —	$ —	$ —	$ —	$ 174,000	$ —	$ 174,000	$ 174,000
Variable interest rate as of June 30, 2020					1.68%		1.68%	
Fixed rate ($USD)	$ 1,250	$ 2,500	$ 2,500	$ 1,250	$ —	$ —	$ 7,500	$ 7,694
Fixed interest rate	5.21%	5.21%	5.21%	5.21%			5.21%	

Exchange Rate Sensitivity

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

	Expected Maturity or Transaction Date		
Anticipated Transactions and Related Derivatives	**2020**	**Total**	**Fair Value**
USD Functional Currency			
Forward Exchange Agreements:			
(Receive $MXN / Pay $USD)			
Total contract amount	$ (15,003)	$ (15,003)	$ (2,095)
Average contract rate	20.00	20.00	

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company maintains disclosure controls and procedures that are designed to provide reasonable assurance of achieving their objectives.

The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective to provide reasonable assurance that the desired control objectives were achieved as of June 30, 2020.

(b) Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the three months ending June 30, 2020, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are subject to litigation from time to time in the ordinary course of business, however there is no material pending litigation to which we are a party and no material legal proceeding was terminated, settled or otherwise resolved during the three months ended June 30, 2020.

ITEM 1A. RISK FACTORS

You should carefully consider the risk factors below and previously disclosed in Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2019.

***The COVID-19 pandemic and measures taken to contain it have significantly adversely affected, and are likely to continue to significantly adversely affect, our business, results of operations, financial condition, cash flows, liquidity and stock price*.**

The COVID-19 pandemic has significantly and adversely impacted the global economy and financial markets, with global legislative and regulatory responses including unprecedented monetary and fiscal policy actions across all sectors, and there is significant uncertainty as to timing of stabilization and recovery. Our business, results of operations, financial condition, cash flows, liquidity and stock price were significantly adversely affected by the COVID-19 pandemic in the first half of 2020, especially beginning in March, and are expected to continue to be significantly adversely affected. The full extent to which the COVID-19 pandemic will impact our business, results of operations, financial condition, cash flows, liquidity and stock price, with regards to scope and duration, are highly uncertain and cannot be predicted with confidence. In particular, if COVID-19 continues to spread or re-emerges, resulting in an extended period of travel, commercial, social and other similar restrictions, we could experience prolonged and significant adverse impacts to our business, results of operations, financial condition, cash flows, liquidity and stock price.

The COVID-19 pandemic and measures taken to contain it have subjected our business, results of operations, financial condition, cash flows, liquidity and stock price to a number of material risks and uncertainties, including, but not limited to:

- *Risks Related to our Liquidity*. In March 2020, we borrowed $169.5 million as a safeguard to provide additional financial flexibility. During the second quarter of 2020, we repaid a net amount of $32.8 million of the amounts outstanding under the Amended Credit Agreement. As of June 30, 2020, our consolidated indebtedness was $200.6 million. Our increased indebtedness has and will continue to result in, among other things, increased interest expense and increased vulnerability to future adverse economic and industry conditions. We may incur additional significant borrowing in the near term, which would increase risks related to indebtedness. In addition, future borrowing availability under our Amended Credit Agreement is subject to our compliance with financial covenants thereunder (including the Consolidated Leverage Ratio based on consolidated EBITDA for the applicable trailing 12-month period). Based upon consolidated EBITDA for the twelve months ended June 30, 2020, $159.3 million remains available for additional borrowings under the Amended Credit Agreement subject to specified conditions that Gentherm currently satisfies. We expect our consolidated EBITDA for the trailing 12-months to be significantly reduced as of the end of the third quarter 2020 due to the COVID-19 impact and it may continue to deteriorate thereafter. Therefore, subject to any amendment or waiver of the Consolidated Leverage Ratio from the lenders, we expect borrowing availability for at least the next twelve months will continue to be significantly less than the full amount of capacity available under the U.S. Revolving Note, and that borrowing availability as of the end of the third quarter of 2020 (and potentially thereafter) will be less than as of the end of the second quarter of 2020. Failure to satisfy certain covenants in the Amended Credit Agreement would result in an event of default, following which our lenders could declare all amounts outstanding to be immediately due and payable and there is no guarantee that we would be able to repay, refinance, or restructure the payments on such debt on acceptable terms or at all. Further, under the Amended Credit Agreement, the lenders would have the right to foreclose on certain of our assets, which could have a significant adverse effect on our business, results of operations, financial condition, cash flows, liquidity and stock price. We may finance additional liquidity needs in the future through one or more equity or debt offerings. The current disruption of the global financial markets could reduce our ability to access additional capital on acceptable terms or at all, which would negatively affect our liquidity and may adversely impact our operations and results of operations.
- *Risks Related to the Automotive Industry*. The automotive industry is our primary market. The COVID-19 pandemic has significantly disrupted, and is expected to continue to significantly disrupt, the global automotive industry and customer sales, production volumes and purchases of light vehicles by end consumers. Further, the spread of COVID-19 has created a

significant disruption in the manufacturing, delivery and overall supply chain of automobile manufacturers and suppliers. In July 2020, IHS Markit forecasted light vehicle production volume for full-year 2020 of 69.5 million units, a decline of 21.8% from full-year 2019. Further, the COVID-19 pandemic has resulted in a temporary shutdown of substantially all of the major OEMs in our markets at various times in the first half of 2020. This has significantly reduced our year-to-date sales volumes and revenue as compared to our budget, and future sales volumes and revenue remain highly uncertain. Although automotive production has resumed, customer sales and production volumes may significantly decrease or may be very volatile due to global economic impacts and uncertainties. Any prolonged reduction in actual revenues and anticipated reduction in projected revenues may require us to evaluate our intangible assets or goodwill for impairment and incur impairment charges.

- *Risks Related to our Supply Chain and our Manufacturing Operations*. The COVID-19 pandemic has adversely impacted our ability to manufacture products and obtain materials from our supply chain. We and our suppliers have experienced facility closures, work stoppages, travel restrictions, implementation of precautionary health and safety measures and other restrictions. We have experienced extended work stoppages in Asia, and subsequent suspension of vehicle production by our OEM customers in North America and Europe, as the pandemic spread to those regions and governmental authorities initiated “lock-down” orders for all non-essential activities. Due to the COVID-19 pandemic, a significant portion of our employees are now working from home, while under shelter-in-place orders or other restrictions, which may harm our ability to manage our business and increase operational risk, including increased cyber security attacks and reduced ability to implement security measures. Our manufacturing operations resumed production under enhanced public health procedures, including temperature screening of employees before entry into facilities, deep cleaning of facilities after each shift, and the provision of personal protective equipment. Further, companies in our global supply chain are subject to distinct legislative and regulatory requirements and limitations. Certain companies in our supply chain have had significant employee layoffs or furloughs and have significant financial distress, and some may determine to cease operations or restructure their business. Although our business operations have resumed, our suppliers may not be able to manufacture the materials and products we require according to our schedule and specifications, and we may need to seek alternate suppliers, which may be more expensive or may result in delays. We expect that a portion of our employees may not want to or be able to return to work or continue to work when permitted due to health, safety, family or otherwise. As a result, we and our supply chain may operate significantly below capacity for an uncertain period of time, each of which could significantly adversely affect our business, results of operations, financial condition, cash flows, liquidity and stock price.
- *Risks Related to our Customers*. COVID-19 has and will continue to have a significant adverse impact on the growth, viability and financial stability of our customers, including the OEMs and Tier 1 automotive suppliers to which our products are supplied. In addition to many of the risks noted above that apply to our customers regarding the automotive industry generally and our supply chain, we expect to continue to experience a delay in our collection of accounts receivable balances from our customers, which may be significant and would be at risk in the event of their bankruptcy or other restructuring.
- *Risks Related to our Growth Prospects*. Our ability to execute our business strategy through the pursuit of business ventures, acquisitions, and strategic alliances or dispositions has been, and will likely continue to be, significantly adversely impacted by COVID-19 and global economic conditions. While we continue to believe in our long-term growth strategy and prospects, we are limiting certain growth opportunities in the near term to conserve cash, including limiting the review of merger and acquisition opportunities and certain research and development activities. We also believe that new business awards will be subject to increased risk of future change as we look to convert awards into revenue. Further, a sustained decline in automotive production may delay or reduce our returns on research and development investments, which could significantly adversely affect our business, results of operations, financial condition, cash flows, liquidity and stock price.
- *Risks Related to Tax Matters*. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer-side social security payroll taxes, the allowance of a five-year net operating loss carryback period and the temporary suspension of the 80% net operating loss limitation, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. We currently expect to defer the payment of payroll taxes each quarter for the remainder of 2020, with such taxes to be paid in the fourth quarters of 2021 and 2022 as permitted by the CARES Act. We continue to examine the impacts the CARES Act may have on our business, but the extent to which we will benefit from the tax provisions in the CARES Act is currently unclear.

In addition to the risks specifically described above, the COVID-19 pandemic has exacerbated and precipitated the other risks described in our Annual Report on Form 10-K for the year ended December 31, 2019, and may continue to do so, in ways that we are not currently able to predict, any of which could significantly adversely affect our business, results of operations, financial condition, cash flows, liquidity or stock price.

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

Issuer Purchases of Equity Securities During Second Quarter 2020

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (1)
April 1, 2020 to April 30, 2020	—	$ —	—	74,225,938
May 1, 2020 to May 31, 2020	—	$ —	—	74,225,938
June 1, 2020 to June 30, 2020	—	$ —	—	74,225,938

(1) The stock repurchase program authorizes Gentherm to repurchase shares up to $300 million. The stock repurchase program expires on December 16, 2020. The authorization of this stock repurchase program does not require that the Company repurchase any specific dollar value or number of shares and may be modified, extended or terminated by the Company's Board of Directors at any time. In March 2020, the Company suspended it share repurchase program in order to preserve liquidity. However, repurchases under the share repurchase program may resume at management's discretion and may be made, from time to time, in amounts and at prices the Company deems appropriate, subject to market conditions, applicable legal requirements, debt covenants and other considerations.

ITEM 6. EXHIBITS

Exhibits to this Report are as follows:

			Incorporated by Reference			
Exhibit Number	Exhibit Description	Filed /Furnished Herewith	Form	Period Ending	Exhibit / Appendix Number	Filing Date
3.1	Second Amended and Restated Articles of Incorporation of Gentherm Incorporated		8-K		3.2	3/5/18
3.2	Amended and Restated Bylaws of Gentherm Incorporated		8-K		3.1	5/26/16
10.1*	Offer Letter between Gentherm Incorporated and Barb Runyon dated June 18, 2018	X				
10.2*	Executive Relocation and Employment Agreement between Gentherm Incorporated and Paul Giberson dated June 6, 2019	X				
10.3*	First Amendment to Executive Relocation and Employment Agreement between Gentherm Incorporated and Paul Giberson dated as of April 21, 2020	X				
10.4*	Second Amendment to Employment Terms between Gentherm Incorporated and Phillip Eyler dated as of April 21, 2020	X				
10.5*	First Amendment to Offer Letter Agreement between Gentherm Incorporated and Matteo Anversa dated as of April 21, 2020	X				
10.6*	Amendment to the Gentherm Incorporated 2013 Equity Incentive Plan, effective as of May 21, 2020		8-K		10.1	5/26/20
10.7*	Form of Restricted Stock Award Agreement (Director) under the Gentherm Incorporated 2013 Equity Incentive Plan	X				
10.8*	Amendment No. 1 to Summary of Non-Employee Director Compensation	X				
31.1	Section 302 Certification – CEO	X				
31.2	Section 302 Certification – CFO	X				
32.1**	Section 906 Certification – CEO	X				
32.2**	Section 906 Certification – CFO	X				
101.INS	Inline XBRL Instance Document – The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	X				
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	X				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	X				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	X				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	X				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	X				
104	Cover Page Interactive Data File (embedded within the Inline XBRL document contained in Exhibit 101)	X				

* Indicates management contract or compensatory plan or arrangement.

** Documents are furnished not filed.

SIGNATURES

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

Gentherm Incorporated

/s/ PHILLIP EYLER
Phillip Eyler
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 4, 2020

/s/ MATTEO ANVERSA
Matteo Anversa
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

Date: August 4, 2020

GENTHERM
Technology to the next degree™

June 18, 2018

Barbara J. Runyon
[**]

Dear Barb:

On behalf of Gentherm Incorporated, I am very excited to present to you an offer of employment for the position of Senior Vice-President and Chief Human Resources Officer. In this position you would be part of Gentherm's Executive Committee and report directly to me. Your compensation package would be as set forth in the attached term sheet.

I believe that you would find this role to be exciting, challenging and rewarding. The entire leadership team is thrilled at the prospect of you joining our Company.

As with all positions at Gentherm, the following conditions apply: (1) you would be permitted to begin employment with the Company only after you provide required documentation verifying your identity and employment eligibility in the United States, (2) your employment is contingent upon successfully passing a pre-employment drug test and background check, (3) your employment would be "at-will" and terminable at any time for any reason, and (4) you would be required to sign the attached Confidential Information and Inventions Assignment Agreement.

Please contact me should you have any questions; otherwise, your signature below will confirm your acceptance the terms of this offer. Please return a signed copy to Ken Phillips via email (ken.phillips@gentherm.com).

I am looking forward with great anticipation to working with you!

Sincerely,

Phillip M. Eyler
President and Chief Executive Officer

cc: Kenneth J. Phillips

AGREED TO AND ACCEPTED BY:

/s/ Barbara J. Runyon	6/21/18
Barbara J. Runyon	Date

GENTHERM
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COMPENSATION TERM SHEET
Barbara J. Runyon
Attachment to Offer Letter Dated: June 18, 2018

POSITION	
Position	Senior Vice-President and Chief Human Resources Officer
Primary Work Location	Gentherm's Northville, Michigan World Headquarters

DIRECT COMPENSATION	
Salary	Annual salary of $370,000 per year (paid semi-monthly)
Bonus Program	The position has a 50% target bonus under the Gentherm Performance Bonus Plan (prorated in 2018 to reflect the partial year). Under such bonus plan, your bonus will be based on a combination of (i) achievement of individual goals agreed to by you and your supervisor and (ii) the Company's achievement of its financial goals, in all cases subject to approval by the Compensation Committee of the Gentherm Board of Directors.
Signing and Retention Bonus	You will be entitled to receive a signing and retention bonus totaling $250,000 paid as follows: $125,000 will be paid with your first paycheck. This bonus must be repaid if you voluntarily terminate your employment within the first year $125,000 will be paid on the first anniversary of your start date
Equity Compensation	You would receive an equity compensation grant having an award date value of $400,000. This amount, divided by Gentherm's 10-trading day average stock price on the day you start, will determine the number of restricted stock units (RSUs) that you would receive. 60% of these RSUs would vested based on the company financial measures over the following three years and 40% would vest equally over the first three years of your employment without performance conditions. The performance-based RSUs may vest anywhere from 0-200% of target. Future equity grants are at the discretion of the Board.
Company Vehicle	You will be entitled to full time use of a Company-owned vehicle. The personal use of such vehicle will be a taxable benefit to you. In view of your recent vehicle purchase, you may elect to receive $1,200 per month (subject to required tax withholdings) as a vehicle allowance in lieu of the company vehicle benefit.

Severance	If your employment with the Company is terminated during the first year of your employment by the Company without Cause (as defined below), you will be entitled to six months' base salary as full and complete severance, conditioned upon your execution of a general release in a form requested by the Company. Following the first year of employment, you will be subject to the Company's severance policy in effect at the time, if any. For purposes of this paragraph, "Cause" means the Company's good faith determination that you have engaged in any of the following: (i) conduct that injures the business or reputation of the Company; (ii) gross negligence or willful misconduct in the performance of duties assigned to you; (iii) a violation of safety, harassment, or discrimination policies; (iv) a material breach of a material term of any agreement between you and the Company; and/or (v) failure to complete reasonably requested tasks within 14 days after written notice by your supervisor of such failure.
Technology	The Company will provide you with a mobile phone, laptop computer, iPad and appropriate other technology accessories.
Start Date	August 2018. Actual start date to be discussed.

EMPLOYEE BENEFITS

Term Life Insurance/ADD - Company paid	150% of annual salary provided by Gentherm in accordance with the group benefit plan offered to other similarly-situated Gentherm employees.
Short Term/Long Term Disability - Company paid	Provided by Gentherm in accordance with the group benefit plan offered to other similarly-situated Gentherm employees
Vacation	Four weeks per year
Sick Leave	One week per year
Paid Holidays	In accordance with Gentherm's Northville location holiday schedule (15 total holidays in 2018)
Medical / Dental / Vision / Flexible Spending Account	All in accordance with the group benefit plan offered to similarly situated Gentherm employees. Details will be provided to you on your first day of employment, unless you require information sooner.
401(k) Retirement Savings Plan	Automatic enrollment at 6% unless opted out. Voluntary participation for amounts above 6%. Current Company discretionary match is dollar for dollar for first 4%.

EXECUTIVE RELOCATION AND EMPLOYMENT AGREEMENT

THIS EXECUTIVE RELOCATION AND EMPLOYMENT AGREEMENT (this ***"Agreement")*** is made effective as of the 6 day of June, 2019 (the ***"Effective Date"),*** by and between Gentherm Incorporated, a Michigan corporation (the ***"Company")*** and Paul Giberson ***("Executive").***

BACKGROUND

Executive currently serves as Senior Vice President — Global Sales for the Company working from its Northville, Michigan location (the ***"Home Location").*** The Board of Directors of the Company (the ***"Board")*** has determined that it is in the best interests of the Company and its shareholders to temporarily relocate Executive (the ***"Assignment")*** to work from the location of the Company's affiliate, Gentherm GmbH, in Odelzhausen, Germany (the ***"Host Location").*** Executive has agreed to such Assignment. Accordingly, the Company and Executive desire to enter into this Agreement to set forth the terms and conditions of their employment relationship. This Agreement shall represent the entire understanding and agreement between the parties with respect to Executive's employment with the Company. All references in this Agreement to "$" refer to U.S. Dollars.

NOW, THEREFORE, in consideration of the foregoing and the terms and conditions set forth herein, the parties agree as follows:

TERMS AND CONDITIONS

1. Employment.

(a) The Company hereby agrees to employ Executive, and Executive hereby accepts employment, on the terms and conditions set forth in this Agreement.

(b) Executive's employment with the Company pursuant to this Agreement shall commence on the Effective Date and end on the applicable termination date determined pursuant to Section 7 below. The period from August 15, 2019 to August 14**,** 2021 is referred to herein as the ***"Relocation Period".*** The entire time during which Executive is employed by the Company pursuant to this Agreement shall be the ***("Employment Period").***

(c) This Agreement assumes that Executive meets all eligibility requirements to lawfully work in the Home Location and the Host Location. In the event Executive is no longer so eligible to work in the Host Location during the Relocation Period through no fault of Executive, the Executive will be relocated to the Home Location, assuming he is eligible to work in the Home Location. In the event Executive is no longer so eligible to work in both the Host Location during the Relocation Period and the Home Location thereafter through no fault of Executive, the Executive's employment will be treated as a termination by the Company without Cause pursuant to Section 7. In the event Executive is no longer so eligible resulting directly from action or inaction on the part of Executive that could have reasonably been avoided, the Employment Period will terminate as if it were a Termination for Cause (as defined herein).

(d) Unless otherwise mutually agreed upon by Executive and the Company, during the Employment Period, Executive shall serve as the Senior Vice President — Global Sales of the Company, reporting directly to the Chief Executive Officer of the Company (the ***"CEO")*** and shall have such duties and responsibilities as are assigned to Executive by the CEO and the Board, consistent with Executive's position.

(e) During the Relocation Period, Executive shall remain employed by the Company but will be temporarily assigned (seconded) to also perform services for Gentherm GmbH and to work from the Host Location. Following the Relocation Period, Executive will return to and perform services for the Company from the Home Location for the remainder of the Employment Period. Notwithstanding the foregoing, Executive at all times shall remain an at-will employee of the Company under law and either Executive or the Company may terminate the Employment Period at any time for any reason, subject in all cases to the provisions of Section 7, below.

(f) During the Employment Period, and excluding any periods of vacation and sick leave to which Executive is entitled, Executive agrees to devote full business time, energy, skills and attention to the business and affairs of the Company, to discharge the responsibilities assigned to Executive hereunder, and to use Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for Executive to: (A) serve on corporate, civic or charitable boards or committees; (B) deliver lectures, fulfill speaking engagements or teach at educational institutions; or (C) manage personal investments, so long as such activities do not significantly interfere with the performance of Executive's responsibilities as an employee of the Company in accordance with this Agreement.

2. <u>Compensation.</u>

(a) ***Base Salary.*** During the Employment Period, Executive shall receive an annual base salary equal to $340,000 (the ***"Annual Base Salary").*** During the Employment Period, the Compensation Committee of the Board (the ***"Compensation Committee")*** will review the Annual Base Salary at least annually. The term "Annual Base Salary" as utilized in this Agreement shall refer to the Annual Base Salary as so increased or adjusted by the Board. The Annual Base Salary shall be paid in accordance with the Company's normal payroll practices for senior executive officers of the Company as in effect from time to time. Executive will remain on the Company's United States payroll during the Relocation Period.

(b) ***Annual Bonus.*** In addition to the Annual Base Salary, during the Employment Period Executive shall be eligible for cash bonuses as determined by the Compensation Committee in its sole discretion (the ***"Bonuses").*** Although the timing and amount of any such Bonuses are subject to the sole discretion of the Compensation Committee, Executive's Bonus, if any, for a particular period during the Employment Period will be paid to Executive on or about March 15 of the calendar year next following the calendar year in which ends the period for which the Bonus is paid. Executive's "target" bonus shall be equal to 50% of the Annual Base Salary. The actual amount of any Bonuses could be greater or less than such target amount as determined from time to time by the Compensation Committee in its sole discretion and in accordance with the terms of annual bonus plans adopted by the Compensation Committee from time to time.

(c) ***Long-Term Incentive Compensation.*** During the Employment Period, Executive shall be entitled to participate in any stock option, restricted stock, performance share, performance unit or other equity based long-term incentive compensation plan, program or arrangement (the ***"Plans")*** generally made available to senior executive officers of the Company, on substantially the same terms and conditions as generally apply to such other officers, except that the size of any awards made to Executive shall reflect Executive's position with the Company and the Board's view of Executive's performance and/or expected future contributions to the Company.

3. **<u>Benefits.</u>** During the Employment Period, Executive will be eligible for certain benefits as outlined below.

(a) ***Welfare Benefit Plans.*** During the Employment Period, Executive and his family shall be eligible for participation in, and shall receive all benefits under, welfare benefit plans, practices, policies and programs provided by the Company (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent available generally or to other senior executive officers of the Company.

(b) ***Business Expenses.*** During the Employment Period, Executive shall be entitled to receive prompt reimbursement for all reasonable business expenses incurred by Executive in accordance with the plans, practices, policies and programs of the Company, including the Company's travel and expense policies.

(c) ***Holiday, Vacation and Sick Pay.*** During the Employment Period, Executive shall be eligible for participation in, and shall receive all benefits under, holiday, vacation and sick pay programs provided by the Company to the extent available generally or to other senior executive officers of the Company; provided, however, that during the Relocation Period, Executive shall be entitled to the benefits of the holidays recognized by the Host Location.

4. **<u>Relocation Benefits.</u>** Executive will be eligible for relocation benefits as outlined below. Such benefits shall be payable only during the Relocation Period, except as expressly noted (such as the Look-See Benefit which applies prior to the Relocation Period). Amounts included below may constitute taxable income to the Executive but generally will not be taken into account as "compensation" for purposes of other Company benefit plans.

(a) ***Relocation Expenses.*** Executive is eligible for company-paid (or, if paid directly by the Executive, reimbursement of) relocation expenses pursuant to the Company's relocation policy and subject in every case to express written approval by the CEO. In addition, a relocation allowance of $30,000 will be paid to Executive on or before August 15, 2019 for miscellaneous incidentals related to relocation (collectively, the ***"Approved Relocation Expenses").***

(b) ***Relocation Assistance.*** As is described in more detail in the Company's relocation policy, the Company will coordinate with and provide the services of SIRVA Relocation LLC (SIRVA) or another a third party relocation specialist to assist Executive with house hunting and information/familiarization in the Host Location (the ***"Relocation Assistance").***

(c) ***Lease Cancellation Penalties.*** The Company will reimburse Executive for any penalties he is assessed as a result of canceling one personal automobile lease prior to the Relocation Period (the ***"Lease Cancellation Benefit").***

(d) ***Visa/Immigration Expenses.*** The Company will pay the costs, including legal fees, of seeking appropriate entry visas and employment authorization in the Host Location for Executive and his family members (the ***"Visa/Immigration Expenses").***

(e) ***International Goods and Services Allowance.*** During the Relocation Period, an international goods and service allowance equal to $2,500 per month will be paid to Executive on a monthly basis beginning with the month Executive moves to the Host Location (the ***"International Goods and Services Allowance").*** This allowance is intended to help compensate Executive for the higher costs of goods and services in the Host Location. The monthly amount will be reviewed based on any change to Executive's personal/family status in the Host Location. In the absence of any status change, the allowance will be reviewed twice annually and may be adjusted in the Company's sole discretion to reflect an increase or decrease.

(f) ***Housing Allowance.*** During the Relocation Period, the Company will pay and provide for the actual costs associated with the rental of a residence in an area within reasonable commuting distance to the Host Location, up to a maximum of $5,000 (or the Euro equivalent) per month (the ***"Housing Allowance").***

(g) ***Short-Term Housing upon Return to Home Location.*** For up to two months after Executive returns to the Home Location, the Company will pay and provide for the actual costs associated with the rental of a residence in an area within reasonable commuting distance to the Home Location, up to a maximum of $2,500 per month (the ***"Return Housing Allowance").***

(h) ***Storage in the Home Location.*** During the Relocation Period and for up to one year during the remainder of the Employment Period after Executive returns to the Home Location, the Company will pay up to $1,000 per month for the storage of furniture or personal articles stored in the Home Location (the ***"Home Country Storage").***

(i) ***Membership at Home Country Club.*** During the Relocation Period, the Company will pay or reimburse Executive for the minimum amount necessary to maintain Executive's membership at Meadowbrook Country Club in good standing as Class A (the ***"Country Club Benefit").***

(i) ***Automobile.*** During the Relocation Period, Executive will be entitled to use of a Company-owned automobile in accordance with the Company's executive automobile policies. Also, in accordance with such policies, the Company shall pay all costs and expenses incidental to the ownership, operation, and maintenance of the automobile, including, but not limited to, automobile insurance, taxes, and repair costs.

(k) ***Look-See Visit.*** Prior to the beginning of the Relocation Period, the Company will purchase round-trip business class flights for Executive and his family to visit the Host Location for the purpose of selecting appropriate housing and schooling for during the Relocation Period (the ***"Look-See Benefit").***

(l) ***Home Country Visits.*** During the Relocation Period, the Company will pay for up to $70,000 for flights for the Executive and/or his family members to travel to/from the Home Location and the Host Location (the ***("Home Country Visit Allowance").*** For clarity, this $70,000 benefit covers the entire two-year Relocation Period and is not a per-year benefit. Executive will determine which trips, which class of travel, and which individuals he desires to have these funds applied toward. Air travel that Executive completes for business reasons will not be counted against the Home Country Visit Allowance, even if Executive is accompanied by family members. For clarity, neither the Look-See Benefit, nor the flights to transport the Executive and his family to and from the Host Location at the beginning and the end of the Relocation Period, shall be counted against the Home Country Visit Allowance.

(m) ***Tuition.*** During the Relocation Period, the Company will pay or reimburse Executive for all enrollment fees and for tuition fees of up to $20,000 per child per year for private schooling for Executive's two minor children at an international school in the Host Location (the ***"Tuition Benefit").***

(n) ***International Health Coverage.*** During the Relocation Period, Executive and his family shall be entitled to benefits provided by the Company's international assistance health benefits program.

(o) If Executive's employment terminates for any reason during the Relocation Period, relocation benefits described in this Section 4 will be concluded as of the earlier of the following: (i) 30 days after the then-current school year for the Executive's children attending school in the Host Location ends, or (ii) the date the Executive and his family physically move away from the Host Location (the earlier of the foregoing is referred to as the ***"Relocation Benefit End Date").*** Any eligible relocation benefits not yet utilized or received by Executive as of the Relocation Benefit End Date will be forfeited.

5. **Taxes.**

(a) The Company shall be entitled to withhold, from any cash payments to the Executive under this Agreement, such federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation on or in respect of any payment made or benefit provided to Executive under this Agreement, and the Company shall remit all such taxes withheld to the appropriate governmental body in a timely manner.

(b) During the Relocation Period, the Executive will continue to be responsible for payment of all taxes due in respect of the amounts and benefits paid or delivered to the Executive under this Agreement; however, the Executive may be entitled to payments from the Company in respect of a portion of such taxes as described in this Section 5.

(c) At the end of each calendar year during the Relocation Period, a tax expert retained by the Company will compute the amount of aggregate income taxes the Executive is required to pay as a result of the Executive's employment with the Company during such period (the ***"Actual Tax Obligation")*** and compare that amount to the aggregate income taxes the Executive would have been required to pay as a result of the Executive's employment with the Company during such period if all compensation earned by the Executive during such period (including, for clarity, all compensation earned or deemed to have been earned by the Executive during such period upon the award, vesting, exercise or acceleration of any equity grants, no matter when such equity grants were first awarded to the Executive) had instead been earned while the Executive worked at the Home Location and while the Executive lived at the Executive's current primary residence in the United States (the ***"Theoretical Tax Obligation").*** To the extent the Actual Tax Obligation exceeds the Theoretical Tax Obligation, the Executive will receive a payment from the Company in an amount so that the Executive shall have paid no more income taxes on his earnings during such period pertaining to his employment with the Company than the amount of the Theoretical Tax Obligation. For purposes of the foregoing computation, the following amounts and benefits payable to the Executive under this Agreement are intended by the parties to be provided on a tax-free basis and so their tax effect will be removed from the computations of the Actual Tax Obligation and the Theoretical Tax Obligation and instead the Company will separately make "tax gross-up" payments to the Executive not less often than annually in order to achieve the stated intent (provided, however, that in the case of the International Goods and Services Allowance, such tax gross-up payments shall be made as often as necessary so that the after-tax cash received by the Executive each month is equal to the International Goods and Services Allowance):

(i) the Approved Relocation Expenses,

(ii) the Relocation Assistance,

(iii) the Lease Cancellation Benefit,

(iv) the Visa/Immigration Expenses,

(v) the International Goods and Services Allowance,

(vi) the Housing Allowance,

(vii) the Return Housing Allowance,

(viii) the Home Country Storage,

(ix) the Home Country Visit Allowance,

(x) the Tuition Benefit,

(xi) the Look-See Benefit,

(xii) the cost of the tax preparation assistance, and

(xiii) the Repatriation Benefits (as defined in Section 7(c)(vii).

For clarity, the following amounts (and any other amounts not expressly listed in (i) through (xiii) above) are expressly excluded from the tax gross-up described above: (A) the Annual Base Salary, (B) any Bonuses, (C) any long-term incentive compensation, (D) all health and welfare benefits, (E) the value of the use of a Company-owned automobile for personal reasons and (F) the Country Club Benefit.

(d) If the Executive's employment terminates for any reason during the Relocation Period, tax equalization will end as of the Relocation Benefit End Date and theoretical U.S. tax will be calculated as if the Executive repatriated on Relocation Benefit End Date.

(e) The Company will provide the Executive with the services of a qualified accounting firm to prepare and file all tax returns required in the Home Location and the Host Location during the period beginning with the first tax year of the Employment Period and ending with the last tax year that includes the date on which Executive returns to the Home Location (the ***"Last Tax Preparation Year");*** however, the Company will continue to provide the Executive with the services of such accounting firm for three years after the Last Tax Preparation Year, but such extended services will be limited to providing assistance to the Executive with respect to any tax issues that arise in the Host Location pertaining to the Executive's tax filings during the Relocation Period. All of the foregoing services are limited to tax advice directly relating to Executive's Assignment and do not extend to personal tax advice or financial planning.

6. Personal Data. During the Relocation Period, the Company (and/or Gentherm GmbH) will need to process personal data relating to Executive in order to manage the personal and employment aspects of his assignment, such as administering payroll, benefits, and other services. Executive's personal data, which will be provided by Executive and/or the Company or that is obtained in the ordinary course of activity, will be processed as necessary for the performance of this Agreement. Executive's personal data may be communicated to the Company, Gentherm GmbH, their subsidiaries, affiliates, and parent, as well as third party providers of services that include, but are not limited to, tax, legal, administrative, accounting, and financial matters. These entities are or may be located outside the European Union. The data processing will be made electronically, by network means, manually, or by other means that ensures safe processing and avoids unauthorized access. Executive's personal data will be kept secure and confidential in accordance with Company policy and applicable law. The Company will update Executive's personal data at his request and with his assistance. Executive will have the right to access his personal data and to correct any information. By executing this Agreement, Executive freely and unambiguously consents to exports of his personal data, event to jurisdictions with data law protections not considered "adequate" in the Host Location, and expressly authorizes the transfer, also in non-European Union countries, of his personal data to the Company, Gentherm GmbH, their subsidiaries, affiliates and parent, as well as third party providers described above for purposes listed in this Section.

7. Termination of Employment.

(a) **Termination Events.** The Employment Period shall end upon the earliest to occur of (i) Executive's death, (ii) a termination due to Executive's Disability, (iii) a termination by the Company for Cause, (iv) a termination by the Company without Cause or (v) the date of resignation by Executive pursuant to Section 7(b), below. Executive agrees that, at the end of the Employment Period and upon written request from the Company, Executive shall resign from any and all positions Executive holds with the Company and any of its subsidiaries and affiliates, effective immediately following receipt of such request from the Company (or at such later date as the Company may specify).

(b) **Resignation.** Executive may terminate his employment and the Employer Period at any time upon 60 days' prior written notice to the Company or upon such shorter period as may be agreed upon between the Executive and the Board.

(c) **Benefits Payable under All Circumstances.** In the event of termination of the Employment Period for any reason, the following will apply:

(i) ***Base Salary.*** Executive shall be entitled to any Annual Base Salary earned, but unpaid, for services rendered to the Company on or prior to the date Executive' employment terminates, payable on the next regularly scheduled payroll date after the termination date.

(ii) ***Benefits.*** All benefits payable to Executive under any employee benefit plans of the Company applicable to Executive at the time of termination of Executive's employment with the Company and all amounts and benefits which are vested or which Executive is otherwise entitled to receive under the terms of or in accordance with any plan, policy, practice or program of, or any contract or agreement with, the Company, at or subsequent to the date of Executive's termination without regard to the performance by Executive of further services or the resolution of a contingency, shall be paid or provided in accordance with and subject to the terms and provisions of such plans, it being understood that all such benefits shall be determined on the basis of the actual date of termination of Executive's employment with the Company.

(iii) ***Indemnities.*** Any right which Executive may have to claim a defense and/or indemnity for liabilities to or claims asserted by third parties in connection with Executive's activities as an officer, director or employee of the Company shall be unaffected by Executive's termination of employment and shall remain in effect in accordance with its terms.

(iv) ***Medical Coverage.*** Executive shall be entitled to such continuation of health care coverage as is required under, and in accordance with, applicable law or otherwise provided in accordance with the Company's policies. Executive understands and acknowledges that Executive is responsible for making all payments required for any such continued health care coverage that Executive may choose to receive.

(v) ***Business Expenses.*** Executive shall be entitled to reimbursement, in accordance with the Company's policies regarding expense reimbursement as in effect from time to time, for all business expenses incurred by Executive prior to the date of termination of his employment, payable within thirty (30) days after the date of termination, provided Executive has submitted all requisite expense reimbursement documentation.

(vi) ***Equity Awards.*** Executive's rights with respect to any equity awards granted to Executive by the Company shall be governed by the terms and provisions of the Plans and award agreements pursuant to which such equity awards were awarded.

(vii) ***Repatriation Benefits.*** If the Employment Period is terminated during the Relocation Period, the Company shall (1) purchase one-way business class flights for Executive and his family to return to the Home Location, (2) pay the freight costs associated with shipping Executive's household goods to Executive's home in the Home Location (subject to a maximum of 500 pounds of air freight and a maximum of 12,000 pounds shipped by sea), (3) pay for temporary housing for up to 30 days in either the Home Location or the Host Location as needed by Executive and his family during their transition back to the Home Location ***("Repatriation Benefits").***

(d) **Bonus.** If Executive's employment terminates by reason other than a Termination for Cause or a termination as a result of Executive's resignation and such termination occurs after a complete period for which a Bonus is generally being paid to other executive officers of the Company, then the amount that would, in the judgment of the Compensation Committee, be paid to Executive as a Bonus for such completed period shall be paid to Executive no later than March 15 of the calendar year next following the calendar year in which ends the completed period for which the Bonus is paid.

(e) **Severance.** In the event that Executive's employment hereunder is terminated at any time during the Employment Period (including before or after the Relocation Period) by the Company without Cause, or by the Executive for Good Reason, the following additional benefit will be paid by the Company: the Company shall pay Executive severance as computed pursuant to <u>Exhibit A</u> attached hereto.

(f) **Definitions.** For purposes of this Agreement, the following terms shall have the meanings ascribed to them below:

(i) "Termination due to Disability" means a termination of Executive's employment by the Company because Executive has been incapable, after reasonable accommodation, of substantially fulfilling the positions, duties, responsibilities and obligations of his position because of physical, mental or emotional incapacity resulting from injury, sickness or disease for a period of (A) three consecutive months or (B) an aggregate of six months (whether or not consecutive) in any 12-month period. Any question as to the existence, extent or potentiality of Executive's disability shall be determined by a qualified physician selected by the Company with the consent of Executive, which consent shall not be unreasonably withheld.

(ii) "Termination for Cause" means a termination of Executive's employment by the Company for "Cause" as defined in <u>Exhibit A.</u>

(iii) "Termination for Good Reason" means a termination of Executive's employment by Executive for "Good Reason" as defined in <u>Exhibit A.</u>

8. Section 409A. It is intended that payments and benefits under this Agreement either be excluded from or comply with the requirements of Section 409A of the Internal Revenue Code and the regulations and guidance issued thereunder ***("Section 409A")*** and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted consistent with such intent. In the event that any provision of this Agreement is subject to but fails to comply with Section 409A, the Company may revise the terms of the provision to correct such noncompliance if and to the extent permitted under any guidance, procedure or other method promulgated by the Internal Revenue Service now or in the future or otherwise available that provides for such correction as a means to avoid or mitigate any taxes, interest or penalties that would otherwise be incurred by the Executive on account of such noncompliance. Provided, however, that in no event whatsoever shall the Company be liable for any additional tax, interest or penalty imposed upon or other detriment suffered by the Executive under Section 409A, or for any other damage suffered by the Executive, on account of the fact that any payment or benefit under this Agreement is subject to but not in compliance with Section 409A. Solely for purposes of determining the time and form of payments due Executive under this Agreement or otherwise in connection with the Executive's termination of employment with the Company, Executive shall not be deemed to have incurred a termination of employment unless and until Executive shall incur a "separation from service" within the meaning of Section 409A. The parties agree, as permitted in accordance with the final regulations under Section 409A, a "separation from service" shall occur when the Executive and the Company reasonably anticipate that the Executive's level of bona fide services for the Company (whether as an employee or an independent contractor) will permanently decrease to no more than 40% of the average level of bona fide services performed by the Executive for the Company over the immediately preceding 36 months. The determination of whether and when a separation from service has occurred shall be made in accordance with this subparagraph and in a manner consistent with Treasury Regulation Section 1.409A-1(h). Notwithstanding any other provision of this Agreement, all reimbursements and in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A to the extent that such reimbursements or in-kind benefits are subject to Section 409A, including, where applicable, the requirements that: (i) the amount of expenses eligible for reimbursement, or in-kind benefits to be provided, during one calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year; (ii) the reimbursement of an eligible expense will be made on or before the last day of the calendar year following the calendar year in which the expense is incurred; and (iv) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for any other benefit. Notwithstanding any other provision of this Agreement, any tax gross-up available under this Agreement shall be made in accordance with the requirements of Section 409A, including the requirement that the tax gross-up be made no later than the last day of the calendar year next following the calendar year in which the taxes being grossed-up are paid to the applicable taxing authority. For purposes of Section 409A, in the case of any amount payable under this Agreement in installments, each installment shall be treated as a separate and distinct payment. Whenever a payment under this Agreement specifies a payment period with reference to a number of days (ems., "payment shall be made within 90 days following the date of termination"), the actual date of payment within the specified period shall be within the sole discretion of the Company. Notwithstanding any other provision of this Agreement, if the Executive is a "specified employee" (within the meaning of Section 409A) and if any amount payable to the Executive upon or as a result of his separation from service with the

Company constitutes nonqualified deferred compensation that is subject to Section 409A, any such amount that would otherwise be payable to the Executive, during the period ending on the earlier of the date that is 6 months after the date of the Executive's separation from service and the date of the Executive's death (the ***"Delay Period"),*** shall instead be paid on the first Company payroll date following the Delay Period.

9. Exclusive Remedy. Executive acknowledges and agrees that the payment and rights provided under Section 7 are fair and reasonable, and are Executive's sole and exclusive remedy, in lieu of all other remedies at law or in equity, for termination of Executive's employment by the Company.

10. Confidentiality; Company Property; Cooperation.

(a) **Confidentiality.** Executive acknowledges and agrees that it is a condition of his employment with the Company that he execute and abide by the standard Confidential Information and Inventions Assignment Agreement (except that, to the extent the terms of this Agreement conflict with the terms of such standard agreement, this Agreement shall govern).

(b) **Company Property.** Promptly following Executive's termination of employment, Executive shall return to the Company all property of the Company (including any Company-owned automobile in his possession), and all copies thereof in Executive's possession or under Executive's control, except that Executive may retain Executive's personal notes, diaries, rolodexes, mobile devices, calendars and correspondence of a personal nature.

(c) **Cooperation.** During the Employment Period and after Executive's employment with the Company ends for any reason, Executive agrees to give assistance and cooperation, upon reasonable advance notice, in any matter relating to his position with the Company, or his knowledge as a result thereof as the Company may reasonably request, including his attendance and truthful testimony where deemed appropriate by the Company, with respect to any investigation or the Company's defense or prosecution of any existing or future claims or litigation or other proceeding relating to matters in which Executive was involved or has knowledge by virtue of his employment with the Company. The Company shall reasonably endeavor to schedule such cooperation at times not conflicting with the reasonable requirements of any employer or third party with whom Executive has a permitted business relationship and shall reimburse Executive for reasonable expenses incurred in connection therewith, in accordance with Company policy and upon the submission of the appropriate documentation to the Company.

11. Successors.

(a) This Agreement is personal to Executive and without the prior written consent of the Company shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns and any party acting in the form of a receiver or trustee capacity.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, the “Company” shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

12. Miscellaneous.

(a) This Agreement shall be construed in accordance with, and governed by, the laws of the State of Michigan, without regard to the conflicts of law rules of such state. Each of the parties hereto (i) consents to submit itself to the personal jurisdiction of the state and federal courts sitting in the State of Michigan (and any appeals court therefrom) in the event any dispute arises out of this Agreement or any transaction contemplated hereby, (ii) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, and (iii) agrees that it will not bring any action relating to this Agreement or any transaction contemplated hereby in any court other than such courts.

(b) The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

(c) Notice and communications under this Agreement must be in writing and shall be effective when actually received by the addressee, except that (i) the Company shall be entitled to use Executive’s last known address in its employment records for notices to Executive and (ii) all notices and communications from Executive under this Agreement must be addressed to the Company’s CEO or the Company’s Chief Human Resource Officer.

(d) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(e) The Company hereby agrees to indemnify Executive and hold Executive harmless to the extent provided under the Articles of Incorporation and the By-Laws of the Company, as each may be amended from time to time, and any indemnification agreement between the Company and Executive, as it may be amended from time to time, against and in respect of any and all actions, suits, proceedings, claims, demands, judgments, costs, expenses (including reasonable attorney’s fees), losses, and damages resulting from Executive’s good faith performance of Executive’s duties and obligations with the Company. This obligation shall survive the end of the Employment Period. Notwithstanding the foregoing, Executive’s right to indemnification pursuant to this Section shall be made ineffective as necessary to ensure compliance with any applicable laws, rules or regulations.

(f) From and after the Effective Date, the Company shall cover Executive under directors’ and officers’ liability insurance both during and, while potential liability exists, after the Employment Period in the same amount and to the same extent as the Company covers its other executive officers and directors.

(g) Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right Executive or the Company may have hereunder shall not be deemed to be a waiver of such provision of right or any other provision or right of this Agreement.

(h) This Agreement, and all agreements, documents, instruments, schedules, exhibits or certificates prepared in connection herewith, represent the entire understanding and agreement between the parties with respect to the subject matter hereof, supersede all prior agreements or negotiations between such parties, except the Confidential Information and Inventions Assignment Agreement executed by Executive on October 3, 2017. For the avoidance of doubt, Executive acknowledges that all prior employment agreements between the Executive and the Company (or its predecessors) are terminated.

(i) This Agreement may be amended, supplemented or changed only by an agreement in writing which makes specific reference to this Agreement or the agreement or document delivered pursuant hereto, as the case may be, and which is signed by the party against whom enforcement of any such amendment, supplement or modification is sought.

[Signatures on the Following Page]

IN WITNESS WHEREOF, the Company and the Executive have executed this Executive Relocation and Employment Agreement as of the date first above written.

THE EXECUTIVE:

/s/ Paul Giberson
Paul Giberson

THE COMPANY:

GENTHERM INCORPORATED

By: /s/ Phil Eyler
Name: Phil Eyler
Title: President and Chief Executive Officer

EXHIBIT A

SEPARATION / CHANGE IN CONTROL

(a) If Executive's employment is terminated by the Company or successor without "Cause" (as defined below) or by Executive for "Good Reason" (as defined below), subject to the notice and release requirements described below, the Company will pay (i) Executive's base salary for a period of 12 months, paid in a lump sum no later than 30 days after the termination date; (ii) one full year's Bonus at target level, paid in a lump no later than 30 days after the termination date; and (iii) a pro rated Bonus (i.e., the product of (A) the number of weeks Executive was employed by the Company in the year in which Executive's employment terminates and (B) Executive's target Bonus amount divided by 52); in addition, Executive will be entitled to (x) immediate vesting of all unvested equity awards that were scheduled to vest during the first 12 months following Executive's termination; (y) outplacement services for one year up to a maximum cost of $50,000; and (z) an amount equal to 12 months of premiums for COBRA continuation coverage of Executive's health insurance should Executive elect such coverage, including the portion that was paid by the Company (the employer portion) and the portion paid by Executive (the employee portion) during Executive's employment.

(b) "Cause" means only Executive's: (i) material or persistent breach of any agreement between and the Company; (ii) engaging in any act that constitutes serious misconduct, theft, fraud, material misrepresentation, serious dereliction of fiduciary obligations or duty of loyalty to the Company; (iii) conviction of a felony, or a plea of guilty or *nolo contendere* to a felony charge or commission of any criminal act involving moral turpitude which in the reasonable opinion of the Board brings Executive, the Board, or the Company into disrepute; (iv) willful misconduct in the performance of Executive's material duties under this Agreement; (v) willful, unauthorized disclosure of material confidential information belonging to the Company, or entrusted to the Company by a client, customer, or other third party; (vi) repeatedly being under the influence of drugs or alcohol (other than prescription medicine or other medically related drugs to the extent that they are taken in accordance with their directions) during the performance of Executive's duties under this Agreement, or, while under the influence of such drugs or alcohol, engaging in grossly inappropriate conduct during the performance of Executive's duties under this Agreement; (vii) repeated failure to comply with the lawful directions of the Board that are not inconsistent with the terms of this Agreement; (viii) any material failure to comply with the Company's material written policies or rules that are not inconsistent with this Agreement; (ix) material omission, misrepresentation, or falsification of any material information provided by Executive that the Company relied upon in entering into this Agreement; or (x) Executive's personal engagement in conduct that a judicial or arbitral tribunal finds violated applicable state or federal laws governing the workplace that could reasonably be expected to bring the Company into disrepute. In order for the Company to terminate Executive's employment for Cause under any of clauses (i), (iv), (vi), (vii) or (viii) in the preceding sentence, the Company must provide Executive with written notice of its intention to terminate employment for Cause and describing the acts or omissions upon which such termination for Cause is based, and Executive will be provided a 30-day period from the date of such notice within which to cure or correct such acts or omissions if they are reasonably susceptible of cure or correction.

(c) “Good Reason” means the occurrence of any of the following without Executiver consent:

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

(ii) a material diminution in Executive’s then-current compensation or benefits, authority, duties, or responsibilities, including following a Change in Control, or, following the Relocation Period, a change of Executive’s primary work location to a location that is more than 50 miles away from Northville, MI;

(iii) a requirement that Executive report to an individual other than the Chief Executive Officer; or

(iv) any successor’s failure, including following a Change in Control, to explicitly assume the Company’s duties and obligations under the terms of this letter agreement.

Notwithstanding the above, no “Good Reason” exists unless (I) Executive notify the Company in writing within 30 days after the existence of any condition listed above, and the Company fails to cure the condition within 30 days after receiving notice, and (II) Executive terminate employment by no later than 30 days after the providing the notice. Executive’s waiver of any event constituting Good Reason shall not constitute a waiver of any subsequent event.

(d) A “Change in Control” means the earliest to occur of any of the following events, each of which must also constitute a “change in control event” (within the meaning of Treas. Reg. section 1.409A-3(i)(5)):

(i) Any one Person or more than one Person Acting as a Group (each as defined below) acquires, or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Group, beneficial ownership of more than a majority of the total fair market value or total voting power of the then-outstanding securities of the Company;

(ii) Any one Person or more than one Person Acting as a Group (each as defined below) acquires, or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Group, the assets of the Company that have a total gross fair market value (as determined by the Gentherm Board of Directors) of more than 50% of the total gross fair market value of all of the assets of, as applicable, the Company immediately prior to the initiation of the acquisition; or

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

For purposes of this provision, a “Person” means any individual, entity or group within the meaning of section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), other than (A) the Company, (B) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or (C) any corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company. Persons will be considered to be “Acting as a Group” (or a “Group”) if they are a “group” as defined under Section 13 of the Exchange Act. If a Person owns equity interests in both entities that enter into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be Acting as a Group with other shareholders only with respect to the ownership in that entity before the transaction giving rise to the change and not with respect to the ownership interest in the other entity. Persons will not be considered to be Acting as a Group solely because they purchase assets of the same entity at the same time or purchase or own stock of the same entity at the same time, or as a result of the same public offering.

(e) Executive’s right to receive severance pay under this provision is conditioned upon (i) Executive’s signing and delivering to the Company, and there becoming irrevocable, within 45 days after Executive’s employment termination date, a general release of claims, in form and substance reasonably acceptable to the Company, by which Executive release the Company from any claim arising from Executive’s employment by, or termination of employment with, the Company, in consideration for the payment; and (ii) Executive’s continued compliance with the terms of Executive’s Confidential Information and Inventions Assignment Agreement. The release shall preserve Executive’s entitlement to Executive’s compensation and benefits under this Offer Letter Agreement, Executive’s vested savings and retirement benefits, as well as indemnification and defense in accordance with the Company’s bylaws, personnel policies, insurance policies, and applicable law. The Company will make no payment unless the general release becomes effective on or before the 45th day following Executive’s employment termination date. Provided that Executive satisfy the foregoing release requirement, any severance payment under this provision that otherwise would be due before then will be paid to Executive in a lump sum on the first regular Company payroll date following the 45th day after Executive’s employment termination date.

(f) On termination of Executive’s employment (for whatever reason) Executive will be entitled to receive the pro rata portion of Executive’s base salary through the date of Executive’s termination, together with such compensation or benefits to which Executive may be entitled by law or under the terms of the Company’s compensation and benefit plans in effect including, without limitation, amounts owed to Executive for unpaid vacation leave accrued during the course of Executive’s employment with the Company pursuant to Company policy as from time to time in effect.

(g) Upon the Company’s adoption of a severance/change in control benefit plan applicable to executive officers of the Company (a “New Plan”), the terms of this Exhibit A shall no longer control and shall be superseded by the New Plan, provided that the terms of the New Plan are no less favorable to Executive than the terms hereof, and provided that the New Plan entitles Executive to receive the same benefits upon separation or change in control as other executive officers of the Company.

FIRST AMENDMENT TO EXECUTIVE RELOCATION AND EMPLOYMENT AGREEMENT

This FIRST AMENDMENT TO EXECUTIVE RELOCATION AND EMPLOYMENT AGREEMENT (this "***Amendment***") is made and entered into as of April 21, 2020, by and between Paul Giberson ("***Giberson***" or "***Executive***") and Gentherm Incorporated ("***Gentherm***" or the "***Company***"). Giberson and Gentherm are referred to herein each as a "***Party***" and, collectively, as the "***Parties***."

RECITALS

A. Giberson and Gentherm executed an Executive Relocation and Employment Agreement on June 6, 2019 (the "***Employment Agreement***").

B. The Parties have agreed to amend the Employment Agreement as set forth in this Amendment.

NOW THEREFORE, in consideration of the mutual promises and covenants contained in this Amendment, and other valuable consideration, the Parties agree as follows:

TERMS AND CONDITIONS

1. **Salary Deferral**. The following sentence is hereby added to the end of Section 2(a) of the Employment Agreement:

   "Notwithstanding anything to the contrary herein, Executive irrevocably agrees to defer 30% of his Annual Base Salary for all payroll periods that begin during the period starting on May 1, 2020 and ending on December 31, 2020 (the "***Salary Deferral***"); provided that full payment of all deferred amounts shall be made on or before March 15, 2021 (which, for the avoidance of doubt, is intended to qualify as a "short-term deferral" pursuant to Section 409A (as defined in Section 8)). For the avoidance of doubt, the Salary Deferral shall not change any other amounts Executive is entitled to that are calculated based on Annual Base Salary, including pursuant to Sections 2(b) and 7(d) herein or Exhibit A attached hereto."

2. **Termination of Employment**.

   (a) Section 7(c)(i) of the Employment Agreement is hereby deleted in its entirety and replaced with the following:

   "***Base Salary.*** Executive shall be entitled to any Annual Base Salary earned, but unpaid, for services rendered to the Company on or prior to the date Executive's employment terminates, payable on the next regularly scheduled payroll date after the termination date; provided, however, that the Salary Deferral shall be paid as set forth in Section 2(a)."

   (b) Section (c)(ii) of Exhibit A attached to the Employment Agreement is hereby deleted in its entirety and replaced with the following:

   "a material diminution in Executive's then-current compensation or benefits, authority, duties, or responsibilities, including following a Change in Control, or, following the

Relocation Period, a change of Executive's primary work location to a location that is more than 50 miles away from Northville, MI, but excluding the Salary Deferral;"

(c) Section (f) of Exhibit A attached to the Employment Agreement is hereby deleted in its entirety and replaced with the following:

"On termination of Executive's employment (for whatever reason) Executive will be entitled to receive the pro rata portion of Executive's base salary through the date of Executive's termination, together with such compensation or benefits to which Executive may be entitled by law or under the terms of the Company's compensation and benefit plans in effect including, without limitation, amounts owed to Executive for unpaid vacation leave accrued during the course of Executive's employment with the Company pursuant to Company policy as from time to time in effect; provided, however, that the Salary Deferral shall be paid as set forth in Section 2(a)."

3. **No Other Modifications**. Except as expressly set forth in this Amendment, the Employment Agreement remains unmodified, in full force and effect.

IN WITNESS WHEREOF, the Parties have caused this Amendment to Executive Relocation and Employment Agreement to be executed as of the date first written above.

GENTHERM INCORPORATED

By: /s/ Barbara J. Runyon Barbara J. Runyon Senior Vice President and Chief Human Resources Officer	/s/ Paul Giberson Paul Giberson

SIGNATURE PAGE TO
FIRST AMENDMENT TO EXECUTIVE RELOCATION AND EMPLOYMENT AGREEMENT

SECOND AMENDMENT TO EMPLOYMENT TERMS

This SECOND AMENDMENT TO EMPLOYMENT TERMS (this “Amendment”) is made and entered into as of April 21, 2020, by and between Phillip Eyler (“Eyler” or “you”), and Gentherm Incorporated (“Gentherm” or the “Company”). Eyler and Gentherm are referred to herein each as a “Party” and, collectively, as the “Parties.”

RECITALS

A. Eyler and Gentherm executed an Offer of Employment on September 18, 2017, as amended on December 7, 2018 (the “Employment Agreement”) and a Deferred Compensation Agreement dated December 31, 2018.

B. The Parties have agreed to amend the Employment Agreement as set forth in this Amendment.

NOW THEREFORE, in consideration of the mutual promises and covenants contained in this Amendment, and other valuable consideration, the Parties agree as follows:

TERMS AND CONDITIONS

1. Salary Deferral. The following sentence is hereby added to the end of Section 2 of the Employment Agreement:

   “Notwithstanding anything to the contrary herein, you irrevocably agree to defer 40% of your Base Salary for all payroll periods that begin during the period starting on May 1, 2020 and ending on December 31, 2020 (the “Salary Deferral”); provided that full payment of all deferred amounts shall be made on or before March 15, 2021 (which, for the avoidance of doubt, is intended to qualify as a “short-term deferral” pursuant to Section 409A (as defined in Section 20)). For the avoidance of doubt, the Salary Deferral shall not change any other amounts you are entitled to that are calculated based on your Base Salary, including pursuant to Sections 4, 7 and 8 herein and pursuant to your Deferred Compensation Agreement dated December 31, 2018.”

2. Cash Bonus. Section 4 of the Employment Agreement is hereby deleted in its entirety and replaced with the following:

   “You will be entitled to an annual cash bonus (your “Cash Bonus”) under the Company’s performance bonus plan applicable to executive officers of the Company based on the Company’s achievement of its financial goals, in all cases subject to approval by the Compensation Committee of the Gentherm Board of Directors. No annual Cash Bonus is guaranteed. Your target Cash Bonus is 100% of your Base Salary. There is no maximum amount payable to you as annual Cash Bonus as the Board has full discretion to increase your annual Cash Bonus as it deems appropriate.”

3. Good Reason. Section 7(d)(ii) of the Employment Agreement is hereby deleted in its entirety and replaced with the following:

“a material diminution in your then-current compensation or benefits, authority, duties, or responsibilities, excluding the Salary Deferral;”

4. Termination of Employment. The following sentence is hereby added to the end of Section 7(g) of the Employment Agreement:

“Notwithstanding anything to the contrary herein, the Salary Deferral shall be paid as set forth in Section 2.”

5. Attachments. The Gentherm Incorporated Executive Bonus Plan is deleted as an attachment to the Employment Agreement in its entirety.

6. No Other Modifications. Except as expressly set forth in this Amendment, the Employment Agreement remains unmodified, in full force and effect.

IN WITNESS WHEREOF, the Parties have caused this Amendment to Employment Terms to be executed as of the date first written above.

GENTHERM INCORPORATED

By: /s/ Barbara J. Runyon	/s/ Phillip Eyler
Barbara J. Runyon	Phillip Eyler
Senior Vice President and	
Chief Human Resources Officer	

Signature Page to
Second Amendment to Employment Agreement

FIRST AMENDMENT TO OFFER LETTER AGREEMENT

This FIRST AMENDMENT TO OFFER LETTER AGREEMENT (this "Amendment") is made and entered into as of April 21, 2020, by and between Matteo Anversa ("Anversa" or "you") and Gentherm Incorporated ("Gentherm" or the "Company"). Anversa and Gentherm are referred to herein each as a "Party" and, collectively, as the "Parties."

RECITALS

A. Anversa and Gentherm executed an Offer Letter Agreement on October 22, 2018 (including the Compensation Term Sheet attached thereto, the "Offer Letter").

B. The Parties have agreed to amend the Offer Letter as set forth in this Amendment.

NOW THEREFORE, in consideration of the mutual promises and covenants contained in this Amendment, and other valuable consideration, the Parties agree as follows:

1. Salary Deferral. The following is hereby added to the end of the section of the Offer Letter titled "Direct Compensation—Salary":

"Notwithstanding the foregoing, you irrevocably agree to defer 30% of your salary for all payroll periods that begin during the period starting on May 1, 2020 and ending on December 31, 2020 (the "Salary Deferral"); provided that full payment of all deferred amounts shall be made on or before March 15, 2021 (which, for the avoidance of doubt, is intended to qualify as a "short-term deferral" pursuant to section 409A of the Internal Revenue Code of 1986 and any regulations and guidance promulgated thereunder). For the avoidance of doubt, the Salary Deferral shall not change any other amounts you are entitled to that are calculated based on your base salary, including your Bonus and the life insurance and separation / change in control benefits set forth below."

2. Good Reason. Item (c)(ii) in the section of the Offer Letter titled "Separation / Change in Control" is hereby deleted in its entirety and replaced with the following:

"a material diminution in your then-current compensation or benefits, authority, duties, or responsibilities, including following a Change in Control, or a change of your primary work location to a location that is more than 50 miles away from Northville, MI, but excluding the Salary Deferral;"

3. No Other Modifications. Except as expressly set forth in this Amendment, the Offer Letter remains unmodified, in full force and effect.

IN WITNESS WHEREOF, the Parties have caused this Amendment to Offer Letter to be executed as of the date first written above.

GENTHERM INCORPORATED

By: /s/ Barbara J. Runyon	/s/ Matteo Anversa
Barbara J. Runyon	Matteo Anversa
Senior Vice President and	
Chief Human Resources Officer	

SIGNATURE PAGE TO
AMENDMENT TO OFFER LETTER

GENTHERM INCORPORATED
2013 EQUITY INCENTIVE PLAN

RESTRICTED STOCK AWARD AGREEMENT

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

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

1. Notice of Restricted Stock Award.

Participant:	______________________________
Grant Date:	______________________________
Number of Shares of Restricted Stock in Award:	______________________________

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

3. Vesting. Subject to the Participant's continued service with the Corporation or its Subsidiaries, the Restricted Stock shall vest in accordance with the following schedule:

Anniversary of Grant Date (each, a "Vesting Date")	Cumulative Vested Percentage
______________	100%

4. Termination Of Services; Forfeiture. Notwithstanding any other provision of this Agreement:

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

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

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

6. Section 83(b). If Participant properly elects (as required by Section 83(b) of the Code) within 30 days after the Grant Date to include in Participant's gross income for federal income tax purposes in the year of issuance the fair market value of the Restricted Stock, Participant shall pay to the Corporation or make arrangements satisfactory to the Corporation to pay to the Corporation upon such election, any foreign, federal, state or local taxes required to be withheld with respect to the Restricted Stock. If Participant shall fail to make such payment, the Corporation shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to the

Participant any federal, state or local taxes of any kind required by law to be withheld with respect to the Restricted Stock. Participant acknowledges that it is Participant's sole responsibility, and not the Corporation's responsibility, to file timely and properly the election under Section 83(b) of the Code and any corresponding provisions of state tax laws if Participant elects to make such election, and Participant agrees to provide the Corporation with a copy of any such election within ten (10) calendar days of making such election.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22. Restrictive Covenants; Compensation Recovery. By signing this Agreement, the Participant acknowledges and agrees that the Restricted Stock subject to this Award or any Award previously granted to Participant by the Corporation or a Subsidiary shall (1) be subject to forfeiture as a result of the Participant's violation of any agreement with the Corporation regarding non-competition, non-solicitation, confidentiality, inventions and/or other restrictive covenants (the "***Restricted Covenant Agreements***"), and (2) shall be subject to forfeiture and/or recovery under any compensation recovery policy that may be adopted from time to time by the Corporation or any of its Subsidiaries. For avoidance of doubt, compensation recovery rights to shares of Restricted Stock (including shares acquired under previously granted equity awards) shall extend to the proceeds realized by the Participant due to the sale or other transfer of shares of Restricted Stock. The Participant's prior execution of the Restricted Covenant Agreements was a material inducement for the Corporation's grant of this Award.

Signature Page Follows

GENTHERM INCORPORATED

Dated:

By: ______________________________

Name:

Title:

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

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

Dated:

By: ______________________________

Name:

Exhibit 10.8

GENTHERM INCORPORATED
AMENDMENT NO. 1 TO SUMMARY OF NON-EMPLOYEE DIRECTOR COMPENSATION

For the period commencing on the date of the 2020 annual meeting of shareholders and ending on the date of the 2021 annual meeting of shareholders, the non-employee directors of the Company shall receive their annual cash retainers, calculated as provided in the Summary of Non-Employee Director Compensation that was effective starting with the 2019 annual meeting of shareholders, in the form of restricted stock instead of cash. Accordingly, the value of the annual equity retainer will be increased by the value of the annual cash retainer, with all restricted stock vesting on the first anniversary of the date of grant, subject to the applicable director’s continued service or retirement.

Exhibit 31.1

CERTIFICATION

I, Phillip Eyler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gentherm Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Phillip Eyler

Phillip Eyler
President and Chief Executive Officer
August 4, 2020

Exhibit 31.2

CERTIFICATION

I, Matteo Anversa, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gentherm Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Matteo Anversa

Matteo Anversa
Executive Vice President, Chief Financial Officer and
Treasurer
August 4, 2020

Exhibit 32.1

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

In connection with the Quarterly Report of Gentherm Incorporated (the “Company”) on Form 10-Q for the period ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Phillip Eyler, President & Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Phillip Eyler

Phillip Eyler
President and Chief Executive Officer
August 4, 2020

Exhibit 32.2

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

In connection with the Quarterly Report of Gentherm Incorporated (the “Company”) on Form 10-Q for the period ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Matteo Anversa, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Matteo Anversa

Matteo Anversa
Executive Vice President, Chief Financial Officer and Treasurer
August 4, 2020