

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

	December 31,	
	2014	2013
ASSETS		
Current Assets:		
Cash & cash equivalents	\$ 85,700	\$ 54,885
Accounts receivable, less allowance of \$2,847 and \$1,807, respectively	136,183	118,283
Inventory	77,643	64,217
Derivative financial instruments	145	67
Deferred income tax assets	6,247	10,616
Prepaid expenses and other assets	29,107	21,864
Total current assets	335,025	269,932
Property and equipment, net	91,727	79,234
Goodwill	30,398	25,809
Other intangible assets, net of accumulated amortization of \$53,756 and \$44,474, respectively	68,129	83,431
Deferred financing costs	406	1,072
Deferred income tax assets	18,843	7,103
Derivative financial instruments	1,345	1,969
Other non-current assets	12,019	13,373
Total assets	\$ 557,892	\$ 481,923
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 71,434	\$ 61,662
Accrued liabilities	68,387	66,783
Current maturities of long-term debt	5,306	21,439
Derivative financial instruments	2,466	2,552
Deferred income tax liabilities	—	710
Total current liabilities	147,593	153,146
Pension benefit obligation	10,321	6,868
Other Liabilities	2,788	1,601
Long-term debt, less current maturities	85,469	60,881
Derivative financial instruments	6,698	9,358
Deferred tax liabilities	10,804	17,975
Total liabilities	263,673	249,829
Shareholders' equity:		
Common Stock:		
No par value; 55,000,000 shares authorized, 35,696,742 and 34,929,334 issued and outstanding at December 31, 2014 and 2013, respectively	243,255	232,067
Paid-in capital	(8,224)	(9,582)
Accumulated other comprehensive income	(25,743)	(5,203)
Accumulated earnings	84,931	14,812
Total shareholders' equity	294,219	232,094
Total liabilities and shareholders' equity	\$ 557,892	\$ 481,923

The accompanying notes are an integral part of these financial statements

GENTHERM INCORPORATED
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

	Year Ended December 31,		
	2014	2013	2012
Product revenues	\$ 811,300	\$ 662,082	\$ 554,979
Cost of sales	569,618	487,320	413,052
Gross margin	241,682	174,762	141,927
Operating costs and expenses:			
Research and development expenses	66,411	52,197	43,189
Reimbursed research and development expenses	(8,885)	(2,324)	(2,239)
Net research and development expenses	57,526	49,873	40,950
Acquisition transaction expenses	1,075	2,414	—
Selling, general and administrative expenses	84,647	72,091	64,321
Total operating costs and expenses	143,248	124,378	105,271
Operating income	98,434	50,384	36,656
Interest expense	(3,262)	(3,543)	(4,136)
Debt retirement expense	(1,370)	—	—
Revaluation of derivatives (loss) gain	(518)	1,006	(2,292)
Foreign currency (loss) gain	(218)	(2,228)	2,201
Gain (loss) from equity investment	785	436	(82)
Other income	370	175	325
Earnings before income tax	94,221	46,230	32,672
Income tax expense	24,102	11,097	8,351
Net income	70,119	35,133	24,321
Income attributable to non-controlling interest	—	(1,313)	(6,449)
Net income attributable to Gentherm Incorporated.	70,119	33,820	17,872
Convertible preferred stock dividends	—	(1,622)	(6,711)
Net income attributable to common shareholders	\$ 70,119	\$ 32,198	\$ 11,161
Basic earnings per share	\$ 1.98	\$ 0.96	\$ 0.39
Diluted earnings per share	\$ 1.95	\$ 0.94	\$ 0.39
Weighted average number of shares—basic	35,412	33,653	28,353
Weighted average number of shares—diluted	36,049	34,124	28,862

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GENTHERM INCORPORATED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Year Ended December 31,		
	2014	2013	2012
Net Income	\$ 70,119	\$ 35,133	\$ 24,321
Other comprehensive income (loss), gross of tax:			
Net gain (loss) on pension benefit obligation	(2,295)	126	(1,225)
Foreign currency translation adjustments (loss) gain	(25,044)	5,315	4,465
Unrealized loss on foreign currency derivative securities	(10)	—	—
Unrealized gain (loss) on interest rate derivative securities	81	143	(18)
Other comprehensive income (loss), gross of tax	\$ (27,268)	\$ 5,584	\$ 3,222
Other comprehensive income, related tax effects:			
Net gain on pension benefit obligation	680	18	193
Foreign currency translation adjustments	6,048	426	108
Other comprehensive income, related tax effect	\$ 6,728	\$ 444	\$ 301
Other comprehensive income (loss), net of tax:	\$ (20,540)	\$ 6,028	\$ 3,523
Comprehensive income:	49,579	41,161	27,844
Less: comprehensive income (loss) attributable to the non-controlling interest	—	(271)	7,523
Comprehensive income attributable to Gentherm Incorporated:	\$ 49,579	\$ 41,432	\$ 20,321

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GENTHERM INCORPORATED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands)

	Common Stock		Paid-in Capital	Accumulated Earnings	Loss on Pension Benefit Obligation	Currency Translation Adjustment	Foreign Currency Hedge Adjustment	Currency Hedge Adjustment	Total Gentherm Equity	Non-Controlling Interest	Total
	Shares	Amount									
Balance at December 31, 2011	23,515	\$ 80,502	\$ 23,387	\$ (28,544)	\$ (170)	\$ (14,378)	\$ —	\$ (206)	\$ 60,591	\$ 44,194	\$ 104,785
Public stock offering	5,290	75,532	—	—	—	—	—	—	75,532	—	75,532
Exercise of Common Stock options for cash	177	1,035	(261)	—	—	—	—	—	774	—	774
Tax benefit from Exercises of Common Stock options	—	—	171	—	—	—	—	—	171	—	171
Common Stock issued to employees and consultants	155	429	—	—	—	—	—	—	429	—	429
Stock option compensation	—	—	823	—	—	—	—	—	823	—	823
Convertible preferred stock dividends	—	—	—	(6,711)	—	—	—	—	(6,711)	—	(6,711)
Preferred stock principal paid in common stock	601	7,780	—	—	—	—	—	—	7,780	—	7,780
Preferred stock dividend paid in common stock	80	1,031	—	—	—	—	—	—	1,031	—	1,031
Proceeds from subsidiary issuance of equity shares	—	—	—	—	—	—	—	—	—	1,921	1,921
Distribution paid to non-controlling interest	—	—	—	—	—	—	—	—	—	(290)	(290)
Net loss on pension benefit obligation	—	—	—	—	(1,032)	—	—	—	(1,032)	—	(1,032)
Currency translation, net	—	—	—	—	—	4,573	—	—	4,573	1,074	5,647
Interest rate hedge, net	—	—	—	—	—	—	—	(18)	(18)	—	(18)
Net income	—	—	—	17,872	—	—	—	—	17,872	6,449	24,321
Balance at December 31, 2012	29,818	\$ 166,309	\$ 24,120	\$ (17,383)	\$ (1,202)	\$ (9,805)	\$ —	\$ (224)	\$ 161,815	\$ 53,348	\$ 215,163
Acquisition of non-controlling interest	3,300	42,517	(35,080)	—	—	—	—	—	7,437	(53,074)	(45,637)
Exercise of Common Stock options for cash	673	6,624	(1,823)	—	—	—	—	—	4,801	—	4,801
Tax benefit from Exercises of Common Stock options	—	—	2,074	—	—	—	—	—	2,074	—	2,074
Common Stock issued to Board of Directors and employees	184	1,509	—	—	—	—	—	—	1,509	—	1,509
Stock option compensation	—	—	1,127	—	—	—	—	—	1,127	—	1,127
Convertible preferred stock dividends	—	—	—	(1,622)	—	—	—	—	(1,622)	—	(1,622)
Stock issued upon conversion of preferred stock	954	15,108	—	—	—	—	—	—	15,108	—	15,108
Distribution paid to non-controlling interest	—	—	—	(3)	—	—	—	—	(3)	(3)	(6)
Net gain on pension benefit obligation	—	—	—	—	144	—	—	—	144	—	144
Currency translation, net	—	—	—	—	—	5,741	—	—	5,741	(1,584)	4,157
Interest rate hedge, net	—	—	—	—	—	—	—	143	143	—	143
Net income	—	—	—	33,820	—	—	—	—	33,820	1,313	35,133
Balance at December 31, 2013	34,929	\$ 232,067	\$ (9,582)	\$ 14,812	\$ (1,058)	\$ (4,064)	\$ —	\$ (81)	\$ 232,094	\$ —	\$ 232,094
Exercise of Common Stock options for cash	731	9,595	(2,419)	—	—	—	—	—	7,176	—	7,176
Tax benefit from Exercises of Common Stock options	—	—	1,831	—	—	—	—	—	1,831	—	1,831
Common Stock issued to Board of Directors and employees	105	2,706	—	—	—	—	—	—	2,706	—	2,706
Stock option compensation	—	—	1,946	—	—	—	—	—	1,946	—	1,946
Cancellation of restricted stock	(68)	(1,113)	—	—	—	—	—	—	(1,113)	—	(1,113)
Net loss on pension benefit obligation, net	—	—	—	—	(1,615)	—	—	—	(1,615)	—	(1,615)
Currency translation, net	—	—	—	—	—	(18,996)	—	—	(18,996)	—	(18,996)
Foreign currency hedge, net	—	—	—	—	—	—	(10)	—	(10)	—	(10)
Interest rate hedge, net	—	—	—	—	—	—	—	81	81	—	81
Net income	—	—	—	70,119	—	—	—	—	70,119	—	70,119
Balance at December 31, 2014	<u>35,697</u>	<u>243,255</u>	<u>(8,224)</u>	<u>84,931</u>	<u>(2,673)</u>	<u>(23,060)</u>	<u>(10)</u>	<u>—</u>	<u>294,219</u>	<u>—</u>	<u>294,219</u>

The accompanying notes are an integral part of these financial statements

GENTHERM INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2014	2013	2012
Operating Activities:			
Net income	\$ 70,119	\$ 35,133	\$ 24,321
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	35,029	31,249	30,627
Deferred income taxes	(11,103)	(2,121)	618
(Gain) loss on revaluation of derivatives	(1,039)	(2,678)	167
Debt extinguishment expenses	1,370	—	—
Stock compensation	4,652	2,636	1,252
Loss on sale of property, plant & equipment	131	106	555
Provision for doubtful accounts	1,017	(705)	533
Defined benefit pension plan expense	820	(659)	50
(Gain) loss from equity investment	(785)	(436)	82
Changes in operating assets and liabilities:			
Accounts receivable	(16,902)	(13,828)	(18,367)
Inventory	(8,367)	(9,600)	(5,847)
Prepaid expenses and other assets	(5,871)	(9,446)	(3,228)
Accounts payable	6,956	18,255	1,788
Accrued liabilities	4,308	11,888	4,314
Net cash provided by operating activities	<u>80,335</u>	<u>59,794</u>	<u>36,865</u>
Investing Activities:			
Purchases of derivative financial instruments	—	—	(7,787)
Purchase of non-controlling interest	—	(48,567)	—
Investment in subsidiary, net of cash acquired	(31,474)	—	—
Loan to equity investment	—	—	(590)
Cash invested in corporate owned life insurance	—	(266)	(265)
Purchases of property and equipment	(38,887)	(35,861)	(26,793)
Proceeds from the sale of property and equipment	487	11	40
Net cash used in investing activities	<u>(69,874)</u>	<u>(84,683)</u>	<u>(35,395)</u>
Financing Activities:			
Distribution paid to non-controlling interest	—	(3)	(290)
Cash paid for financing costs	(1,139)	—	(264)
Borrowing of Debt	91,592	45,669	3,326
Repayments of Debt	(79,692)	(24,496)	(22,953)
Proceeds from public offering of common stock	—	—	75,532
Cash paid for the cancellation of restricted stock	(1,113)	—	—
Excess tax benefit from equity awards	1,831	2,074	171
Proceeds from sale of W.E.T. equity to non-controlling interest	—	—	1,921
Redemption of Series C Preferred Stock	—	(8,446)	(23,340)
Series C Preferred Stock Holders dividend	—	(696)	(2,400)
Proceeds from the exercise of Common Stock options	7,176	4,801	774
Net cash provided by financing activities	<u>18,655</u>	<u>18,903</u>	<u>32,477</u>
Foreign currency effect on cash and cash equivalents	1,699	2,719	366
Net (decrease) increase in cash and cash equivalents	30,815	(3,267)	34,313
Cash and cash equivalents at beginning of period	54,885	58,152	23,839
Cash and cash equivalents at end of period	<u>\$ 85,700</u>	<u>\$ 54,885</u>	<u>\$ 58,152</u>
Supplemental disclosure of cash flow information:			
Cash paid for interest	\$ 2,558	\$ 2,653	\$ 3,545
Cash paid for taxes	<u>\$ 21,756</u>	<u>\$ 11,326</u>	<u>\$ 8,445</u>
Supplemental disclosure of non-cash transactions:			
Issuance of Common Stock to non-controlling interest	\$ —	\$ 42,517	\$ 7,780
Issuance of Common Stock for Series C Preferred Stock conversion	\$ —	\$ 15,108	\$ 1,031
Capital Lease	—	3,254	—
Common stock issued to directors and employees	<u>\$ 2,706</u>	<u>\$ 1,509</u>	<u>\$ 429</u>

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